UCLA

2006-2007 ANNUAL FINANCIAL REPORT

UCLA

UCLA serves as an engine for innovation in education, scholarship, health care, athletics and research, creating advances that enrich our neighborhoods, our state and our world on a daily basis. And as one of the largest employers in the Los Angeles area, the university has a profound economic impact on the region.

In these pages, we invite you to take a closer look at how our faculty, students and staff work together to affect the world around them in novel and exciting ways. By fostering interdisciplinary collaboration, inviting fresh perspectives and encouraging new ways to wonder, the UCLA community continues to define what a university can be.

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UNIVERSITY OF CALIFORNIA, LOS ANGELES

CAMPUS AND FINANCIAL HIGHLIGHTS

(dollars in thousands)		*For Fiscal Years Ended June 30*
	2007	**2006**
Enrollment - Fall Quarter		
Undergraduates	25,432	24,811
Graduates, and Interns and Residents	12,786	12,410
Employee Count		
Full-Time Equivalent	27,806	27,124
(includes approximately 5,300 casuals and students)		
Campus Land Area	419 acres	419 acres
Total Net Assets:		
Total Current Assets	$ 1,933,422	$ 1,633,818
Total Noncurrent Assets	4,165,042	3,931,790
Total Current Liabilities	705,677	623,959
Total Noncurrent Liabilities	851,251	650,825
End of Year Net Assets	4,541,536	4,290,824
OPERATING AND NONOPERATING REVENUE AND EXPENDITURES:		
Operating Revenue	$ 3,037,168	$ 2,849,802
Nonoperating Revenue (Core Activities)	814,225	744,531
	$ 3,851,393	$ 3,594,333
Principal Sources of Operating Revenue:		
Student Tuition and Fees	$ 310,724	$ 297,434
Grants and Contracts	832,915	772,728
Sales and Services	1,845,892	1,694,902
Principal Sources of Nonoperating Revenue:		
State Educational Appropriations	$ 603,571	$ 555,888
Operating Expense	$ 3,644,928	$ 3,385,928
Nonoperating Expense (Core Activities)	28,013	24,166
	$ 3,672,941	$ 3,410,094
Principal Operating Expenditures:		
Salaries and Wages	$ 1,935,290	$ 1,789,945
Benefits	393,544	369,690
Supplies and Materials	410,812	396,795
Other Operating Expenditures	593,521	511,563

**See Notes to Financial Statements.*

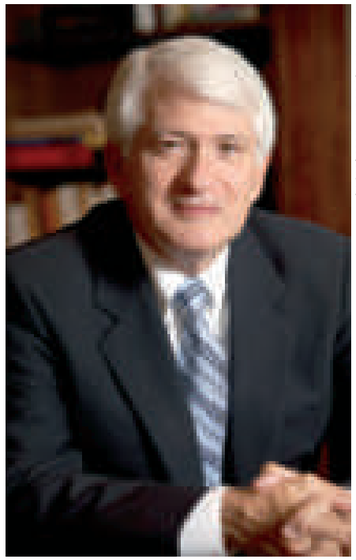
letter from Chancellor Gene D. Block

In 2006–2007, UCLA continued to emerge from several years of severe state budget cuts and to consolidate the resulting gains. As a result of visionary planning and sound fiscal management, the university continued to advance its mission and remained a leader among the world's top research universities.

In fall 2006, UCLA enrolled 4,809 new freshmen out of 47,317 applicants and 3,286 of the 13,137 transfer students who applied for undergraduate admission. During the 2006–2007 academic year, we awarded approximately 11,000 bachelor's, master's, doctoral and professional degrees. The number of Ph.D. degrees awarded increased from 671 the previous year to 689, and non-Ph.D. doctoral degrees rose from 704 to 738.

Through their achievements, our dazzling students continued to demonstrate not only their academic ability but also their dedication to making the world a better place. Three UCLA students received the 2007 Charles E. Young Humanitarian Award for their extraordinary contributions and commitment to public service: Leopoldo Daniel Gonzalez has helped establish the DREAM Scholarship for undocumented UCLA students; Lucero Chavez tutors low-achieving high school students to help them prepare for college; and Diana Tehrani works with the UCLA Mobile Clinic to bring medical aid and mental health services to the homeless.

Once again, UCLA undergraduates at all levels participated in the creation of knowledge. Sixty percent of UCLA undergraduates engage in some form of research or creative activity. For example, Bella Zaghi, a senior anthropology major, is conducting research with professor-in-residence Dr. Beth Karlan, who runs the nation's largest ovarian-cancer tumor bank. It is Bella's dream to find a cure for ovarian cancer, which took her grandmother's life.



Todd Cheney/UCLA Photography

During 2006–2007, UCLA received $913.86 million through competitively awarded grants and contracts, placing us fourth in the nation in the amount of research funding won by faculty. Not surprisingly, our world-class faculty continued to win prestigious acclaim. Professor Terence Tao became UCLA's first faculty member to receive the Fields Medal, the equivalent of the Nobel Prize in mathematics; he was also awarded a "genius" grant from the MacArthur Foundation. Five professors received Guggenheim fellowships: Jennifer Bolande, professor of new genres in the department of art; J. Arch Getty, professor of history; Peter Nabokov, professor in the departments of world arts and cultures and American Indian studies; J. David Neelin, professor of atmospheric and oceanic sciences; and Teofilo F. Ruiz, professor of history.

In our medical enterprise, we completed construction of the Ronald Reagan UCLA Medical Center and dedicated the facility in June 2007. The center is scheduled to open in spring 2008. The UCLA Medical Center was ranked among the nation's top three hospitals and for the 18th consecutive year was named "Best in the West" by *U.S. News & World Report*.

The university's community engagement continued to grow, helping to improve the quality of life in Los Angeles while informing our own research and learning. UCLA's faculty, staff and students are engaged in partnerships with more than 200 civic organizations through our UCLA in LA initiative alone. The Carnegie Foundation for the Advancement of Teaching selected UCLA for its new Community Engagement Classification, which recognizes universities with outstanding community-based curricula, outreach and partnerships. UCLA was the only campus in the UC system and the only Los Angeles–area research university so designated.

As we do every year, we recognized a number of outstanding people for their contributions to society. In 2007, we bestowed the university's highest honor, the UCLA Medal, on Chien Chung Pei, architect; Morgan Chu, attorney; Norman Y. Mineta, former U.S. secretary of transportation; and Antonio Villaraigosa, mayor of Los Angeles.

On campus, more and more capital programs reflect UCLA's majestic architectural tradition. This year, we completed and dedicated the Eli and Edythe Broad Art Center and opened the Billy Wilder Theater at the UCLA Hammer Museum. Also completed this academic year, and dedicated later in 2007, were the California NanoSystems Institute Court of Sciences Building and the Orthopaedic Hospital Research Center and UCLA Biomedical Sciences Research Building. We also completed seismic retrofitting of the Geology Building and Campbell Hall.

In May 2007, the women's water polo team won UCLA's 100th NCAA team championship, making UCLA the first school to win 100. This was the team's eighth NCAA title and their third in a row. The Bruins continue to lead the nation with 100 NCAA championships and 121 total national championships. We look forward to our 101st title in the near future.

The largest donation to UCLA in 2006–2007 was the Broad Foundation's $20 million gift for stem cell research. The Cotsen Institute of Archaeology also received a $10 million pledge from Lloyd Cotsen. Gifts and pledges totaled $373 million, an impressive sum for a non-campaign year.

In 2006–2007, the funds pledged toward our five-year Ensuring Academic Excellence initiative reached $241.4 million. The goal of the initiative is to raise $250 million to enable us to continue to attract and retain the finest faculty and graduate students by establishing endowed chairs, scholarships and fellowships.

We take pride in UCLA's continuing leadership among elite research universities, despite the fiscal constraints imposed upon public institutions. We are confident that with thoughtful and visionary stewardship, along with the generous support of alumni and friends, UCLA will serve as a model of what a great public research university can be in the 21st century.

Gene D. Block
Chancellor

management's discussion and analysis

The objective of Management's Discussion and Analysis (MD&A) is to give readers an overview of the financial position and operating activities of the University of California, Los Angeles (UCLA), for the fiscal year ended June 30, 2007, with selected comparative information for the year ended June 30, 2006. This discussion should be read in conjunction with the financial statements and the accompanying notes.

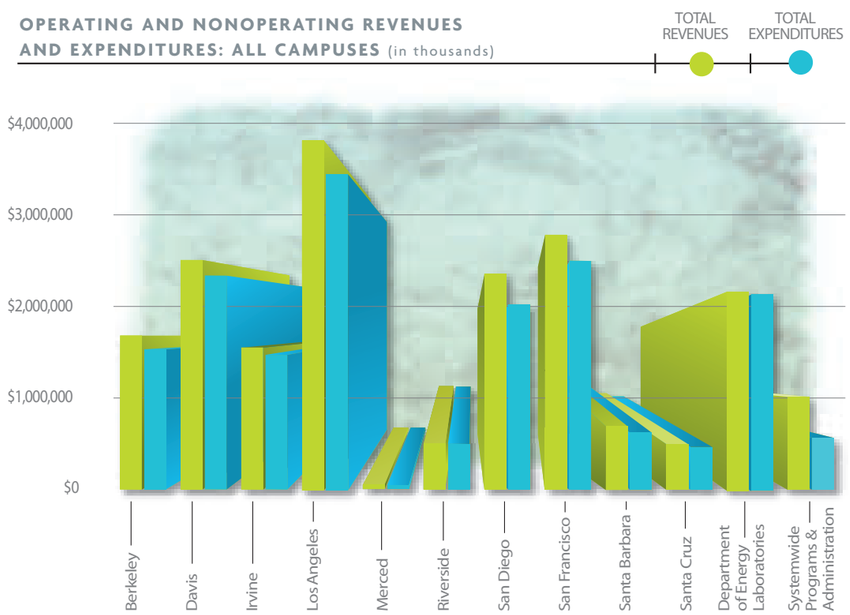
USING THIS ANNUAL REPORT

UCLA is one of 10 campuses within the University of California system. The UCLA Annual Financial Report, while not separately audited, is prepared from the official University of California records and accounts, which are maintained in accordance with the standards prescribed by the Governmental Accounting Standards Board. The three basic financial statements in this report — the statement of net assets; the statement of revenues, expenses and changes in net assets; and the statement of cash flows — encompass the UCLA campus and its discretely presented component, The UCLA Foundation. However, the MD&A and the Notes to Financial Statements focus only on the campus; information relating to The UCLA Foundation can be found in their separately issued financial statements.

THE UNIVERSITY OF CALIFORNIA

The University of California system (the University) is a public, state-supported institution. The University's financial statements for the University, the various campus foundations and the University of California Retirement System are presented as a discrete component of the state's general-purpose financial statements. The University encompasses 10 campuses, which include five medical schools and medical centers, three law schools and the statewide Division of Agricultural and Natural Resources. The University also operates and manages three national laboratories for the U.S. Department of Energy. The audited, consolidated financial statements of the University of California are available at http://www.ucop.edu/ucophome/busfin/reports.html.

The following chart reflects the operating and nonoperating revenues and expenditures of the various campuses and laboratories, along with systemwide programs and administration, for the 2006–07 fiscal year:



Economic Engine

Janet Y. Regier

Looking east from Hedrick Hall, across the Intramural Field, to Janss Steps and the historic heart of the campus; in the distance, downtown high-rises echo the campus skyline, illustrating UCLA's special bond with Los Angeles.

The very presence of UCLA in Los Angeles means tangible economic benefits for the region — in jobs created, dollars spent and taxes paid. Last year alone, UCLA-related economic activity generated business revenues of $9.3 billion in Greater Los Angeles and $9.9 billion throughout California. And we can't overlook the intangible benefits that flow from UCLA's role as a wellspring of ideas, talent and intellectual property, as well as the future economic potential of the extraordinary students we educate.

- UCLA is the seventh-largest employer in the Southern California region.
- UCLA-related employment and spending support nearly 70,000 permanent jobs in the region.
- For every $1 taxpayers invest in UCLA, the university generates almost $15 in economic activity.

THE LOS ANGELES CAMPUS OF THE UNIVERSITY OF CALIFORNIA

UCLA was founded in 1919 and is financially the largest campus in the 10-campus University of California system, with an annual budget that exceeds $3.8 billion. The financial statements included in this annual report encompass the following:

Campus – The Los Angeles campus spans 419 acres in Westwood and is devoted to undergraduate and graduate scholarship serving more than 38,200 students in the following schools:

COLLEGE OF LETTERS AND SCIENCE
- Humanities
- Life Sciences
- Physical Sciences
- Social Sciences
- Honors and Undergraduate Programs
- UCLA International Institute

PROFESSIONAL SCHOOLS
- School of the Arts and Architecture
- School of Dentistry
- Graduate School of Education & Information Studies
- The Henry Samueli School of Engineering and Applied Science
- School of Law
- UCLA Anderson School of Management
- The David Geffen School of Medicine at UCLA
- School of Nursing
- School of Public Health
- School of Public Affairs
- School of Theater, Film and Television

The campus' academic departments and interdepartmental programs schedule more than 2,000 courses each quarter for the benefit of our students. Known for academic excellence, many of UCLA's programs are rated among the best in the nation, and some among the best in the world. Few universities offer the range and diversity of academic programs enjoyed by UCLA students.

The campus' mission also includes a strong dedication to research and public service. The UCLA community focuses on environmental issues, economic and social policy concerns, public education reform, healthcare costs and medical advances. More than 5,000 research projects are being conducted on campus at any given time. For 2007, UCLA expenditures for research exceeded $586 million. Statistics from the National Science Foundation's *Survey of Federal Science and Engineering Support to Universities, Colleges, and Nonprofit Institutions*, published in July 2007 for activities in fiscal year 2005, show that UCLA ranked fourth in NSF dollars allocated, with a total of $525.5 million.

UCLA Extension offers the public 4,500 continuing education courses annually, covering professional and career development, academic enrichment and personal growth.

UCLA employs more than 27,800 faculty, administrators and staff (including casuals and students) and spent $2.3 billion in compensation costs for the fiscal year ended June 30, 2007. UCLA's employees are distinguished for their contributions to education, research and public service. Nobel Prizes have been awarded to five faculty members, in chemistry, physics and medicine (and to four alumni, in economics and chemistry, with one alumnus receiving the Nobel Peace Prize in 1950). UCLA faculty have also received nine National Medals of Science and a Fields Medal, and the Presidential Medal of Freedom has been given to three faculty and three alumni.

UCLA Live (performing arts), the Fowler Museum at UCLA, the UCLA Hammer Museum and the Geffen Playhouse make UCLA the leading arts and cultural center of the West, providing both academic programs and a wide array of public programming.

As of June 30, 2007, UCLA's on-campus physical plant included 169 buildings, 16 parking structures, seven parking kiosks and five new buildings under construction. Off campus, UCLA owns or manages 129 buildings, owns 10 parking structures and leases 67 or more buildings for various activities. UCLA's buildings included 13 libraries, housing more than 8 million volumes; a cogeneration power plant; on-campus student housing for more than 10,600 students; off-campus student and faculty apartments; and more, including the UCLA Conference Center in Lake Arrowhead.

Medical Center – The UCLA Medical Center, the Resnick Neuropsychiatric Hospital at UCLA and Santa Monica Hospital make up the UCLA hospital system, serving people from Los Angeles, across the country and around the world. The medical center is the primary teaching hospital for the David Geffen School of Medicine at UCLA. It has been named the "Best Hospital in the West" by *U.S. News & World Report* for 18 consecutive years. The Ronald Reagan UCLA Medical Center was officially dedicated June 4, 2007. UCLA awaits the opening of this technologically innovative 520-bed hospital to replace its existing medical center, a 1951 vintage structure weakened in the 1994 Northridge earthquake. The building is slated to open in spring 2008, once the entire staff has been trained and every piece of equipment is fully operational. The 10-story structure will combine the operations of the UCLA Medical Center, the Resnick Neuropsychiatric Hospital at UCLA and Mattel Children's Hospital UCLA.

ASUCLA – The Associated Students of UCLA (ASUCLA) operates the UCLA store and oversees student activities for the Los Angeles campus pursuant to the Statement of Understanding of ASUCLA's Relationships with the University, dated June 28, 1974. ASUCLA's financial data, representing total revenue of $67.6 million for the fiscal year ended June 30, 2007, has also been included to reflect the total financial activity of the UCLA campus.

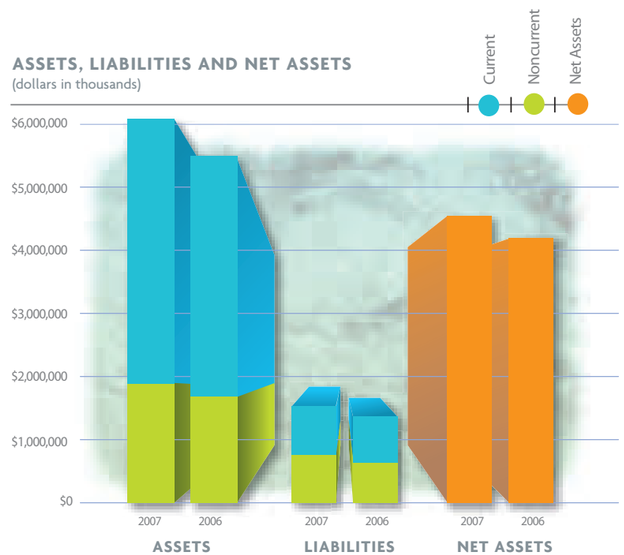
The UCLA Foundation – The foundation is a nonprofit, public-benefit corporation organized for the purpose of accepting and administering the full range of private contributions for the campus. Contributions are held by the foundation until such time as funds are needed and are then transferred from the foundation to the campus; at that point, the campus records the receipt of gift revenue. The financial activities of the separately incorporated foundation are not reflected in the campus' records. However, in compliance with Statement No. 39 of the Governmental Accounting Standards Board, which went into effect on July 1, 2003, the foundation's financial activity can be found discretely recorded on the campus' financial statements under a separate column titled "Foundation."

An Overview – While UCLA's financial information concerning assets, liabilities, revenues and core activity expenditures is discussed in further detail in the subsequent sections of the MD&A, the following table reflects the composition of UCLA for 2007, listing enrollment figures, full-time equivalent employee figures and operating expenses by organization.

(dollars in thousands)	Undergraduates	Graduates, Interns and Residents	Full-Time Equivalent (Includes Students)	Salaries and Wages	Other Expenditures	Total Expenditures
ORGANIZATIONS	FALL ENROLLMENT		EMPLOYEES	OPERATING EXPENSES		
College of Letters and Science	21,410	2,812	3,451	$ 228,809	$ 110,637	$ 339,446
School of the Arts and Architecture	829	363	445	27,143	18,330	45,473
School of Dentistry	-	506	374	28,446	18,768	47,214
School of Education & Information Studies	-	979	473	32,398	19,655	52,053
School of Engineering and Applied Science	2,305	1,293	799	56,916	37,282	94,198
School of Law	-	1,049	219	21,999	11,743	33,742
School of Management	-	1,550	341	34,287	22,804	57,091
School of Medicine	-	2,338	6,693	545,497	323,824	869,321
School of Nursing	94	330	104	7,901	4,016	11,917
School of Public Health	-	655	352	26,221	24,857	51,078
School of Public Affairs	-	450	155	12,000	4,946	16,946
School of Theater, Film and Television	314	390	238	15,026	6,821	21,847
Basic Biomedical Sciences	480	71	192	12,608	7,441	20,049
University Extension	-	-	299	23,790	19,829	43,619
Hospitals	-	-	6,950	463,534	568,794	1,032,328
All Others	-	-	6,721	398,715	321,146	719,861
Subtotal Organizations	25,432	12,786	27,806	1,935,290	1,520,893	3,456,183
Depreciation Expense					168,363	168,363
Other Operational Expenditures					20,382	20,382
TOTAL	25,432	12,786	27,806	$ 1,935,290	$ 1,709,638	$ 3,644,928

THE CAMPUS' FINANCIAL POSITION

The statement of net assets presents UCLA's financial position at the end of the fiscal year. It displays the assets and liabilities of the campus, accounted for on a local level. The difference between assets and liabilities is net assets, representing a measure of the current financial condition of the campus. At June 30, 2007, the campus' assets were just under $6.1 billion, liabilities were $1.56 billion and net assets were $4.54 billion, an increase of $251 million from 2006.



The major components of the assets, liabilities and net assets, compared with the prior year, are as follows:

(dollars in thousands)	2007	2006	Change
ASSETS			
Cash and investments	$ 1,405,940	$ 1,158,567	$ 247,373
Accounts receivable, net	450,825	409,223	41,602
Capital assets, net	4,053,189	3,830,488	222,701
Other assets	188,510	167,330	21,180
Total assets	$ 6,098,464	$ 5,565,608	$ 532,856
LIABILITIES			
Current liabilities	$ 705,677	$ 623,959	$ 81,718
Long-term debt	725,879	524,414	201,465
Other noncurrent liabilities	125,372	126,411	(1,039)
Total liabilities	$ 1,556,928	$ 1,274,784	$ 282,144
NET ASSETS			
Invested in capital assets, net of related debt	$ 3,310,912	$ 3,299,511	$ 11,401
Restricted:			
Nonexpendable	-	-	-
Expendable	426,237	295,458	130,779
Unrestricted	804,387	695,855	108,532
Total net assets	$ 4,541,536	$ 4,290,824	$ 250,712

THE CAMPUS' ASSETS

Long-term investments, the campus' portion of pooled debt and the retirement system are accounted for on a systemwide basis through the Office of the President and are not reflected in UCLA's stand-alone financial statements. UCLA does participate in a temporary investment pool that is administered by the Office of the President, and the balance in this pool is reflected as part of the campus' assets on UCLA's financial statements, under cash and investments. These funds are primarily invested in U.S. Treasury securities, commercial paper and short-term corporate notes with cost approximating market value. The amount invested in this short-term investment pool at June 30, 2007, totaled $1.38 billion, an increase of $250.1 million from the previous year, primarily due to the timing of cash needs from one year to the next.

Accounts receivable totaled $450.8 million in 2007, up from $409.2 million in 2006. Accounts receivable include those from the state and federal governments, those associated with the medical center that are related to patient care, those from investment activity and others, including those related to local and private grants and contracts, and student fees. The $41.6 million variance from the prior year is attributed in part to a $10 million increase in current outstanding funds receivable for federal contracts and grants due to a significant increase in federal contract and grant activity. In addition, medical center patient-care receivables were up $31.5 million from the prior year, a result of contract rate increases, a slowdown in payments from various payers and an increase in inpatient and outpatient activity.

Net capital assets — original cost less accumulated depreciation — increased from $3.8 billion in 2006 to $4.05 billion in 2007. Capital assets include land, infrastructure, buildings and improvements, equipment, libraries, special collections and construction in progress. The original cost of capital assets increased by $345 million to $6.3 billion in 2007, consisting of capital asset additions of $395 million, offset by the disposal of $50 million of capital assets (mainly equipment) during the year in the ordinary course of business. During 2007, capitalized costs for completed projects included $34.3 million for new buildings and improvements to existing buildings, $77.8 million for new equipment, $20.9 million for libraries and collections, and $3.9 million for special collections, including rare books. At the end of 2007, the increase from 2006 in the cost of projects under construction, net of the costs of those projects completed and reclassified during 2007 to buildings and improvements or equipment, totaled $254 million, bringing construction in progress to $1.8 billion. This includes the Ronald Reagan UCLA Medical Center and the Santa Monica Replacement Hospital.

Accumulated depreciation increased from $2.17 billion in 2006 to $2.29 billion in 2007. Depreciation and amortization for the year totaled $168 million, whereas depreciation on assets sold or disposed of during the year was $46.1 million. The disposals during 2007 were mainly for equipment that was fully depreciated or had reached the end of its useful life.

Other assets of $188.5 million at June 30, 2007 (an increase of $21.1 million from 2006), included inventories, investments held by trustees, and pledges, notes and mortgages receivable. The increase is most notably attributed to pledges receivable for a $20 million pledge from the Eli and Edythe Broad Foundation to fund adult and embryonic stem cell research at UCLA.

THE CAMPUS' LIABILITIES

Current liabilities of the campus, up $81.7 million from the prior year, consist largely of accounts payable to vendors for goods and services, accrued compensation costs due to employees for services performed, deferred revenue and current portions of long-term debt utilized to finance capital assets. The accounts payable for the campus consist of amounts due to vendors for goods and services received for general operation of the campus and medical center, and for capital assets. Overall accounts payable showed an increase to $294.8 million in 2007 from $252.9 million in 2006. Accrued salaries and benefits showed an increase of $17.4 million during 2007, directly attributed to the timing of payroll distribution at June 30. Deferred revenues for 2007 totaled $185.5 million, up from $168.7 million in 2006, mainly attributed to upfront payment and fixed price agreements for private grants and contracts where expenditures had not yet occurred.

Long-term debt, used for capital expenditures, is financed by a variety of sources, including University equity contributions, federal and state support, revenue bonds, certificates of participation, bank loans and leases. Commercial paper provides interim financing. The campus' portion of pooled debt is accounted for on a Universitywide basis. Other debt used to finance capital assets, and accounted for locally as noncurrent long-term debt, was up from $524.4 million at the end of 2006 to $725.9 million at the end of 2007, an increase of $201.5 million. This increase results mainly from a $250 million addition of new hospital revenue bonds (Series 2007A), offset by a decrease in other obligations as they are paid down.

Other noncurrent liabilities fell by $1.04 million in 2007, attributed mainly to a decrease in accrued vacation leave.

THE CAMPUS' NET ASSETS

Net assets represent the residual interest in the campus' assets after all liabilities are deducted. During the year, the campus' net assets increased by $250.7 million, bringing the year-end total to $4.5 billion. Net assets are reported in four major categories: invested in capital assets, net of related debt; restricted nonexpendable; restricted expendable; and unrestricted.

The portion of net assets invested in capital assets, net of accumulated depreciation and related outstanding debt used to finance the acquisition, construction or improvement of these capital assets, remained at $3.3 billion, the same level as 2006.

The campus reflects a zero balance in restricted nonexpendable net assets, as endowments and charitable remainder trusts are accounted for on a systemwide basis and are excluded from UCLA's financial statements.

Restricted expendable net assets, which totaled $426.2 million in 2007, up from $295.5 million in 2006, are subject to externally imposed restrictions governing their use. These net assets may be spent only in accordance with the restrictions placed upon them and may include support received from gifts, appropriations, grants or contracts for specific programs or capital projects; trustee-held investments; or other third-party receipts.

Under generally accepted accounting principles, net assets that are not subject to externally imposed restrictions governing their use must be classified as unrestricted for financial reporting purposes. Although unrestricted net assets are not subject to externally imposed restrictions, substantially all of these net assets are designated internally and are allocated for academic and research initiatives or programs, or for capital purposes. As of June 30, 2007, unrestricted net assets were $804.4 million, an increase of $108.5 million from the previous year.

Working Miracles

In the most recent *U.S. News & World Report* survey of America's best hospitals, UCLA Medical Center ranked among the top three institutions in the nation and was named the best hospital in the western United States for the 18th consecutive year.

UCLA thoracic surgeon Dr. Jay M. Lee, surgical director of UCLA's renowned Lung Cancer Program, performs lifesaving surgery at UCLA Medical Center.

Research at UCLA — from basic research to clinical trials — helps translate medical breakthroughs into cutting-edge patient care in virtually all areas of medicine.

Stephanie Diani

Donations to the UCLA Blood and Platelet Center from people like Darren Chan (shown here with registered nurse Elena Rigor) supply a vital resource to UCLA patients.

- More than 200 UCLA physicians are listed in the prestigious "Best Doctors in America" guide.
- UCLA Health System clinics log more than 1 million patient visits each year, and UCLA hospitals more than 80,000.
- More than 70 percent of UCLA medical students and some 200 faculty participate in community health programs each year.

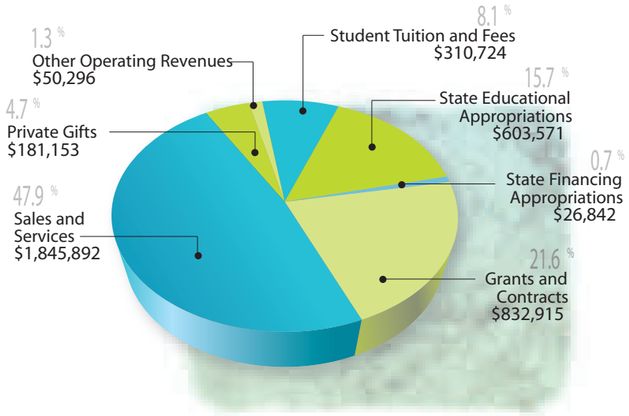
THE CAMPUS' RESULTS OF OPERATIONS

The statement of revenues, expenses and changes in net assets is a presentation of the campus' operating results for the year. It indicates whether the financial condition has improved or deteriorated. In accordance with Governmental Accounting Standards Board (GASB) requirements, certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the campus, including state educational appropriations, private gifts and investment income, are mandated to be recorded as nonoperating revenues.

The following chart displays the categories of both operating and nonoperating revenues that support core activities, as of June 30, 2007:

REVENUES SUPPORTING CORE ACTIVITIES

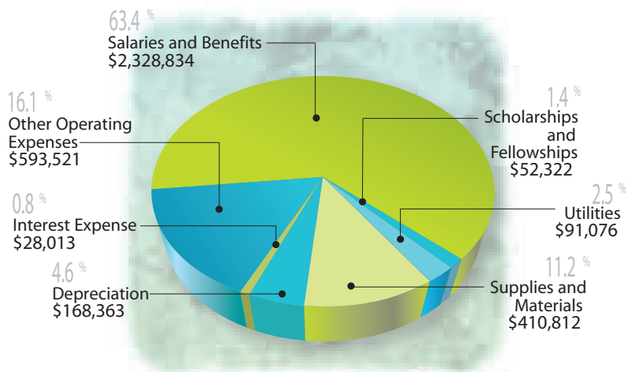
(dollars in thousands)



The following chart displays the portion of operating and nonoperating expenses related to core activities of the campus, as of June 30, 2007:

EXPENSES ASSOCIATED WITH CORE ACTIVITIES

(dollars in thousands)



Below is a summarized comparison of the operating results for 2007 and 2006, arranged in a format that matches the revenue supporting the core activities of UCLA with the expenses associated with core activities:

	YEAR ENDED JUNE 30, 2007			YEAR ENDED JUNE 30, 2006			
(dollars in thousands)	Operating	Nonoperating	Total	Operating	Nonoperating	Total	Change
REVENUES							
Student tuition and fees, net	$ 310,724	$ -	$ 310,724	$ 297,434	$ -	$ 297,434	$ 13,290
State educational appropriations	-	603,571	603,571	-	555,888	555,888	47,683
State financing appropriations	-	26,842	26,842	-	26,839	26,839	3
Grants and contracts	832,915	-	832,915	810,054	-	810,054	22,861
Sales and services, net	1,845,892	-	1,845,892	1,694,902	-	1,694,902	150,990
Private gifts	-	181,153	181,153	-	156,719	156,719	24,434
Other revenues	47,637	2,659	50,296	47,412	5,085	52,497	(2,201)
Revenues supporting core activities	3,037,168	814,225	3,851,393	2,849,802	744,531	3,594,333	257,060
EXPENSES							
Salaries and benefits	2,328,834	-	2,328,834	2,159,635	-	2,159,635	169,199
Scholarships and fellowships	52,322	-	52,322	56,424	-	56,424	(4,102)
Utilities	91,076	-	91,076	85,555	-	85,555	5,521
Supplies and materials	410,812	-	410,812	396,795	-	396,795	14,017
Depreciation	168,363	-	168,363	175,956	-	175,956	(7,593)
Interest expense	-	28,013	28,013	-	24,166	24,166	3,847
Other expenses	593,521	-	593,521	511,563	-	511,563	81,958
Expenses associated with core activities	3,644,928	28,013	3,672,941	3,385,928	24,166	3,410,094	262,847
Income (loss) from core activities	(607,760)	786,212	178,452	(536,126)	720,365	184,239	(5,787)
Transfers to (from) core activities	-	(68,552)	(68,552)	-	(58,738)	(58,738)	(9,814)
Net income (loss) from core activities	$ (607,760)	$ 717,660	109,900	$ (536,126)	$ 661,627	125,501	(15,601)
OTHER NONOPERATING ACTIVITIES							
Net depreciation in fair value of investments			-			-	-
Gain (loss) on disposal of capital assets, net of proceeds			12,043			(2,310)	14,353
Income (loss) before other changes in net assets			121,943			123,191	(1,248)
OTHER CHANGES IN NET ASSETS							
State capital appropriations			14,313			40,193	(25,880)
Capital gifts and grants			127,195			50,392	76,803
Transfers to (from) capital accounts			(12,739)			161,132	(173,871)
Increase in net assets			250,712			374,908	(124,196)
NET ASSETS							
Beginning of year			4,290,824			3,917,561	373,263
Cumulative effect of a change in accounting principle*			-			(1,645)	1,645
End of year			$ 4,541,536			$ 4,290,824	$ 250,712

**One-time change in accounting principal for booking of voluntary and involuntary termination pay (GASB 47)*

REVENUES ASSOCIATED WITH CORE ACTIVITIES

Revenues to support UCLA's core activities, including those classified as nonoperating revenues, grew from $3.6 billion in 2006 to $3.9 billion in 2007, an increase of $269 million. The campus has very diversified sources of revenue. State of California educational appropriations, in conjunction with student tuition and fees, are the core components that support the instructional mission of UCLA. Grants and contracts provide opportunities for undergraduate and graduate students to participate in basic research alongside some of the most prominent researchers in the country. Gifts to the campus allow crucial flexibility to faculty for support of their fundamental activities or new academic initiatives. Sales and service revenue includes the medical center, educational activities and auxiliary enterprises such as student housing, food services operations and parking.

Categories of revenues, as well as activity trends, are described below:

Revenues (dollars in thousands)

	2007	Percent of Total	2006	Percent of Total	Change	Change Over Prior Year
Student tuition and fees, net	$ 310,724	8.07%	$ 297,434	8.28%	$ 13,290	4.5%
State appropriations	630,413	16.37%	582,727	16.21%	47,686	8.2%
Grants and contracts	832,915	21.63%	810,054	22.54%	22,861	2.8%
Sales and services, net	1,845,892	47.93%	1,694,902	47.15%	150,990	8.9%
Private gifts	181,153	4.70%	156,719	4.36%	24,434	15.6%
Other revenues, net	50,296	1.30%	52,497	1.46%	(2,201)	-4.2%
TOTAL	$ 3,851,393	100.00%	$ 3,594,333	100.00%	$ 257,060	7.2%

Student Tuition and Fees, net (dollars in thousands)

	2007	2006	Change	Change Over Prior Year
Student tuition and fees	$ 422,989	$ 402,620	$ 20,369	5.1%
Scholarship allowance	(112,265)	(105,186)	(7,079)	6.7%
TOTAL	$ 310,724	$ 297,434	$ 13,290	4.5%

Student Tuition and Fees revenue, net of scholarship allowances, grew by $13.3 million, from $297.4 million in 2006 to $310.7 million in 2007, a 4.5% increase. As was stipulated in the state budget for 2006–07, mandatory systemwide student fees did not increase from the prior year; the increase in revenue is attributed in part to a growth in enrollment for 2006–07: The undergraduate student headcount for fall 2006 reached more than 25,000, a 2.5% increase over fall 2005, and the graduate student headcount reached more than 11,000, a 3.4% increase over fall 2005, contributing $8 million to the overall increase. The state budget did allow for an increase in the various professional school program fees, which contributed $8.5 million to the increase for 2006–07, and a 5% increase in nonresident undergraduate tuition, which contributed $3.9 million, all offset by a scholarship allowance of $7.1 million.

State Appropriations (dollars in thousands)

	2007	2006	Change	Change Over Prior Year
State educational appropriations	$ 603,571	$ 555,888	$ 47,683	8.6%
State financing appropriations	26,842	26,839	3	0.0%
TOTAL	$ 630,413	$ 582,727	$ 47,686	8.2%

State Appropriations consists of two components, educational and financing. Educational appropriations from the State of California increased by $48 million to $604 million in 2007, a rise of 8.6%. This was the direct result of the state budget increase approved for the University for 2006–07.

State financing appropriations are directly related to the required rental payments under lease-purchase agreements with the State of California, which remained at $26.8 million for 2007.

Grants and Contracts (dollars in thousands)

	2007	2006	Change	Change Over Prior Year
Federal	$ 612,430	$ 601,537	$ 10,893	1.8%
State	43,961	41,473	2,488	6.0%
Private	140,001	134,248	5,753	4.3%
Local	36,523	32,796	3,727	11.4%
TOTAL	$ 832,915	$ 810,054	$ 22,861	2.8%

Grants and Contracts revenue from federal, state, private and local sources increased by $23 million during 2007 to $833 million. Federal grant and contract revenue, including facilities and administration cost recovery of $134 million, direct expenditures of $464.8 million and receipts in excess of expenditures of $13.6 million, grew by $10.9 million to $612.4 million. This revenue represents support from a variety of agencies: the Department of Health and Human Services, $422 million; the National Science Foundation, $63 million; the Department of Education, $44 million; the Department of Veterans Affairs, $17 million; the Department of Energy, $18 million; and other federal agencies, $48 million. Other changes in contracts and grants are as follows: State contracts increased from $41.5 million in 2006 to $44 million in 2007, private contract and grant funds increased by $5.8 million to $140 million, and local contracts and grants increased by $3.7 million to $36.5 million.

Sales and Services (dollars in thousands)	2007	2006	Change	Change Over Prior Year
Medical centers	$ 1,065,018	$ 992,385	$ 72,633	7.3%
Educational activities	485,346	435,099	50,247	11.5%
Auxiliary enterprises, net	295,528	267,418	28,110	10.5%
TOTAL	$ 1,845,892	$ 1,694,902	$ 150,990	8.9%

Sales and Services revenue represents revenue from medical centers, educational activities and auxiliary enterprises, net of scholarship allowance. This revenue increased to $1.85 billion in 2007 from $1.69 billion in 2006, a total increase of $151 million. The medical centers' revenue growth of $72.6 million over the prior year to $1.07 billion was primarily due to a combination of rate increases and an increase in patient activity. Sales from educational activities grew by $50.2 million to a total of $485 million. The increase is primarily attributed to a $48 million rise in compensation plan activities due to rate and volume increases in patient-care within the David Geffen School of Medicine at UCLA and the UCLA School of Dentistry. Sales from auxiliary enterprises showed a 10.5% increase, from $267 million in 2006 to $296 million in 2007. The variance is partially attributed to rate increases averaging 3.5% for on-campus student housing and 4.3% for off-campus housing. In addition, available beds increased overall by 713, with Rieber Hall representing 1,020 new beds, Hedrick Hall 292 new beds, Sunset Village 136 new beds and Dykstra Hall 171 new beds. These new beds were offset by a loss of 906 beds for Sproul Hall, which is currently undergoing renovation.

Private Gifts (dollars in thousands)	2007	2006	Change	Change Over Prior Year
Gifts	$ 75,526	$ 59,877	$ 15,649	26.1%
Transfers from The UCLA Foundation	105,627	96,842	8,785	9.1%
TOTAL	$ 181,153	$ 156,719	$ 24,434	15.6%

Private Gift revenue can come directly from the donor or can be held by The UCLA Foundation until needed. These funds generally are restricted to uses designated by the donor. In 2007, revenues totaled $181.1 million, representing a $24.4 million, or 15.6%, increase over 2006, due in large part to a $20 million pledge from the Eli and Edythe Broad Foundation for stem cell research. Approximately 58% of the 2007 private gifts revenue was attributed to transfers by campus departments from The UCLA Foundation for various campus needs.

Other Revenues, net (dollars in thousands)	2007	2006	Change	Change Over Prior Year
Service Enterprises	$ 2,641	$ 2,708	$ (67)	-2.5%
Other self-supporting units	44,996	44,704	292	0.7%
Total other operating revenues	47,637	47,412	225	0.5%
Other nonoperating revenues	2,659	5,085	(2,426)	-47.7%
TOTAL	$ 50,296	$ 52,497	$ (2,201)	-4.2%

Other Revenues, net of scholarship and other allowances, along with nonoperating revenues, totaled $50.3 million for 2007. The majority, $47.6 million, attributed to operating revenue comes from a variety of self-supporting units, such as the Arthur Ashe Student Health and Wellness Center, UCLA Live, the Department of Cultural and Recreational Affairs, and parking fines and forfeitures. Nonoperating revenues were just under $2.7 million for 2007.

EXPENSES ASSOCIATED WITH CORE ACTIVITIES

UCLA's expenses associated with core activities for 2007, including those classified as nonoperating expenses, totaled $3.7 billion, up $262.8 million from $3.4 billion in 2006. Almost two-thirds, 63%, of UCLA's core expenses are related to salaries and benefits of academic and administrative staff working on behalf of the University. Other expenses are related to goods and services used for operation of the core activities of the campus, depreciation of capital assets, and scholarship and fellowship payments to students.

Categories of expenses, as well as activity trends, are described below:

Expenses (dollars in thousands)	2007	Percent of Total	2006	Percent of Total	Change	Change Over Prior Year
Salaries and benefits	$ 2,328,834	63.41%	$ 2,159,635	63.33%	$ 169,199	7.8%
Scholarships and fellowships	52,322	1.42%	56,424	1.65%	(4,102)	-7.3%
Utilities	91,076	2.48%	85,555	2.51%	5,521	6.5%
Supplies and materials	410,812	11.18%	396,795	11.64%	14,017	3.5%
Depreciation	168,363	4.58%	175,956	5.16%	(7,593)	-4.3%
Interest expense	28,013	0.76%	24,166	0.71%	3,847	15.9%
Other expenses, net	593,521	16.16%	511,563	15.00%	81,958	16.0%
TOTAL	$ 3,672,941	100.00%	$ 3,410,094	100.00%	$ 262,847	7.7%

Salaries and Benefits reflected a 7.8% increase over the prior year, from $2.16 billion in 2006 to $2.33 billion in 2007 ($1.94 billion in salaries and wages and $393.5 million in benefits). There are nearly 38,000 employees filling approximately 27,800 full-time equivalent positions. The majority of this increase is attributed to the David Geffen School of Medicine at UCLA and the medical centers. In addition, for 2007, the state budget stipulated that state funds and other University revenue sources fund an average 4% increase in employee compensation.

Scholarships and Fellowships, payments of financial aid made directly to students and reported as an operating expense, totaled $52.3 million in 2007, 7.3% less than 2006. Scholarship allowances (financial aid, fee waivers by the campus and third-party payments to the University on behalf of students) increased in 2007 by 5% to $143.9 million. However, scholarship allowances are reported as an offset to revenue, not as an operating expense. On a combined basis, financial aid to students in all forms grew from $195.6 million in 2006 to $200.3 million in 2007, an increase of $2.3 million, or 1.2%.

Utilities costs, consisting of natural gas, electricity, water and sewer, and utilities services, showed a 6.5% increase from the prior year to $91.1 million. This increase was attributed mainly to an increase in electricity expenses.

Supplies and Materials, net of elimination of capitalization, increased by $14 million over the prior year to $410.8 million. This 3.5% increase is attributed to the normal course of doing business to meet campus needs, with the largest single increase attributed to the increase in medical supply expenses.

Depreciation and Amortization expenses decreased from $176 million in 2006 to $168.4 million in 2007. The $7.6 million decrease is the net effect of the depreciation and disposal of equipment, library materials and software over $10 million for campus and the hospitals.

Interest Expense on scheduled payments for capital leases and revenue bonds, reported as a nonoperating expense, increased by $3.8 million in 2007 to $28 million, due to the addition of a new medical center revenue bond.

Other Expenses Associated with Core Activities rose by $82 million to $593.5 million in 2007, an increase of 16% from 2006. This increase is primarily attributed to patient care expenses, as well as consulting and professional service charges.

OTHER NONOPERATING ACTIVITIES

UCLA's nonoperating activities that are generally non-cash transactions, and therefore not available to be used to support operating expenses, include the net appreciation or depreciation in the fair value of investments and the gain or loss on the disposal of capital assets.

Since the majority of investment activity is recorded at a systemwide level, the appreciation and depreciation of the fair market value investments is not significant from year to year.

The sale of Barrington Manor, (a gain of $12.3 million), and the Lindblade Building, (a gain of $3.7 million), along with routine disposals and write-offs of capital assets (a loss of $4 million) resulted in a gain totaling $12 million in 2007, compared with a loss of $2.3 million in 2006. The major portion of the $4 million loss for 2007 was related to disposal of capital equipment. Useful lives of equipment are assigned at the time of acquisition based on an established useful life table; equipment is fully depreciated when the accumulated depreciation equals the acquisition value. Equipment is written off at the time of disposal.

OTHER CHANGES IN NET ASSETS

Similar to the other nonoperating activities discussed above, other changes in net assets are also not available to support UCLA's operating expenses in the current year. State capital appropriations and capital gifts and grants may only be used for the purchase or construction of the specified capital assets. Transfers consist of two groups, those from core activities that support campus operations and transfers specific to capital assets.

UCLA's existing facilities continue to need renewal, modernization and seismic correction, for which funding comes from a variety of sources each year. For 2007, capital appropriations from the state decreased by $25.9 million, from $40.2 million in 2006 to $14.3 million, due to the near completion of the Engineering 1 Seismic Mitigation project, for which the majority of funds were received in the prior year. Capital appropriations from gifts and grants increased by $76.8 million, from $50.4 million in 2006 to $127.2 million in 2007. This increase is mainly attributed to $32.7 million in private gifts and grants, as well as a new state grant under Proposition 61 of $29.8 million — both received for the replacement hospitals.

Transfers from core activities ($68.6 million), plus transfers from capital accounts ($12.7 million), totaled $81.3 million for 2007, a decrease of $183.7 million from 2006. The majority of the activity can be associated with indirect cost recovery, intercampus transfers, unexpended plant funds and retirement of indebtedness.

The indirect cost recovery from facilities and the administrative costs of contract and grant activity totaled $156 million in 2007, an increase of $2.9 million over the prior year. These funds are transferred to the Office of the President as part of the closing processes and then reallocated at a designated rate to the campus in the new year. The University has an agreement with the state regarding the disbursal of federal reimbursement. Approximately 20% of the reimbursement accrues directly to the University for costs related to federal contract and grant activity, and this is the source of the University's off-the-top overhead funds. The remaining 80% of the federal reimbursement is used in two ways: 55% is budgeted as University general funds and is used, along with state general funds, to help fund the University's budget; the remaining 45% is the source of the University Opportunity Fund.

Intercampus transfers totaled $247 million for 2007, a decrease of $2.2 million from 2006. This includes the allotment of indirect cost funds from the prior year's recovery, transfers of funding between campuses for related projects and short-term investment income.

Unexpended plant fund transfers totaled $56 million for 2007, a decrease of $162.4 million from 2006. The majority of transfers for 2007 were applicable to borrowed funds transferred from the Office of the President ($36.6 million) for the various revenue bond series related to the new replacement hospitals.

Retirement of indebtedness totaled $68.9 million for 2007, an increase of $9.2 million from 2006. This variance is a result of increase in principal ($2.5 million) and interest payments ($3.6 million) transferred to the Office of the President for debt service related to changes in financing and amortization schedules, as well as a decrease in funds transferred from Office of the President ($3.1 million), mainly for funding of UC Housing System major maintenance expenses.

THE CAMPUS' CASH FLOWS

The statement of cash flows presents the significant sources and uses of cash. UCLA's cash, primarily held in demand deposit accounts, is minimized by sweeping available cash balances into investment accounts managed by the Office of the President on a daily basis.

A summary comparison of cash flows for 2007 and 2006 is as follows:

Cash Flow ((dollars in thousands)	**2007**	**2006**	**Change**
Cash received from operations	$ 3,009,120	$ 2,832,879	$ 176,241
Cash payments for operations	(3,424,874)	(3,286,753)	(138,121)
Net cash used by operating activities	(415,754)	(453,874)	38,120
Net cash provided by noncapital financing activities	771,399	725,731	45,668
Net cash used by capital and related financing activities	(26,988)	(311,040)	284,052
Net cash provided by investing activities	-	-	-
Cumulative effect of change in accounting principles	-	(1,645)	1,645
Intercampus and transfer activities	(81,291)	102,394	(183,685)
Net (decrease) increase in cash	247,366	61,566	185,800
Cash, beginning of year	1,158,447	1,096,881	61,566
Cash, end of year	$ 1,405,813	$ 1,158,447	$ 247,366

UCLA's cash in demand deposit accounts increased by $247.4 million, from $1.16 billion in 2006 to $1.41 billion in 2007. More than $415 million was used for operating activities, offset by $771 million in cash provided by noncapital financing activities. Noncapital financing activities, as defined by the GASB, include state educational appropriations and gifts received for other than capital purposes that are used to support operational activities.

Cash of $27 million was used for capital and related financing activities, primarily for purchases of capital assets and principal and interest payments, partially offset by sources that include state and federal (FEMA) capital appropriations, proceeds from debt issuance, grants and gifts for capital purposes, and new external financing.

LOOKING FORWARD

The campus', and the University's, quality is a hallmark for the State of California and the nation. The excellence of UCLA's programs attracts the best students; leverages hundreds of millions of dollars in state, federal and private funding; and promotes discovery of new knowledge that fuels economic growth.

One of the University's major financial strengths is its diverse sources of revenue — from the State of California, student fees, federal grants and contracts, medical centers, private gifts and self-supporting enterprises. The different sources of revenue are especially important at this time, as the state-funded portion of the operating budget has experienced considerable pressure, leading to non-instructional program cuts, student fee increases and enrollment caps.

Three years ago, the University and the governor agreed on a compact to provide guidance and financial commitments as part of a long-term resource plan for the University. The compact addresses fundamental financial support, enrollment, student fees and other key program elements, for 2006 through 2011. It provides a financial foundation for the University and the ability to plan for student fee levels over the next several years. In exchange for this long-term stability, the University will focus its resources to address long-term accountability goals for enrollment, student fees, financial aid and program quality, among other areas.

In keeping with terms outlined in this compact, the UC Board of Regents approved systemwide undergraduate and graduate student fee increases for 2007–08. Mandatory systemwide fees will increase by 7%. Professional-school fees will also increase by 7% for most programs, with an average total of 10% for law and business schools. Nonresident undergraduate student tuition will be raised by 5%. Consistent with past practice, a portion of the fee increases (33% for undergraduate, 45% for graduate and 33% for professional programs) will be returned to financial aid.

The campus is highly competitive in terms of attracting federal grant and contract revenue and continues working with government and other stakeholders on developing and strengthening UCLA's research enterprise as well as attracting and retaining top faculty, researchers and graduate students. UCLA continues to advance in cutting-edge research programs across and between a broad spectrum of disciplines and to foster research and technology development that contributes to regional, national and international economic growth and educational and social advancement.

The medical centers have demonstrated very positive financial results, although they continue to face financial challenges in a price-sensitive managed-care environment, along with the added costs and responsibilities related to functioning as an academic institution. The demand for health care services and the cost of providing them are increasing significantly, while revenues to support these services are diminishing. In addition to cost increases faced by hospitals across the state, such as rising salary and benefit costs, UCLA's medical centers also face additional costs associated with new technologies, biomedical research, the education and training of health care professionals, and the care for a disproportionate share of the medically underserved in California. Other than Medicare and Medi-Cal (California's Medicaid program), health insurance plans do not take into account the added cost of teaching in their payments to academic medical centers. Over the last few years, Medicare margins have declined as a result of payment reductions. Recent changes to the Medi-Cal program will likely limit or reduce the rates of payment growth to the medical centers in future years. Also, as a result of state legislation, the medical centers face capital requirements to ensure that facilities can maintain uninterrupted operations following a major earthquake.

The continuing financial success of the medical centers is dependent on dedicated and sustained financial support for medical education and care for the poor. Payment strategies must recognize the need to maintain an operating margin sufficient to cover debt, provide working capital, purchase state-of-the-art equipment and invest in infrastructure and program expansion.

UCLA anxiously awaits the opening of the new Ronald Reagan UCLA Medical Center, which was dedicated in June 2007. The new building will house the UCLA Medical Center, Mattel Children's Hospital UCLA and the Resnick Neuropsychiatric Hospital at UCLA. Prior to the building opening for business (expected by spring 2008), UCLA's expert transition team will fit up the internal systems, install and test clinical and Internet equipment, and train numerous UCLA employees.

Additionally, multiphase construction continues with the Santa Monica/Orthopaedic Replacement Hospital. The new state-of-the-art inpatient facility, which is an alliance between Santa Monica-UCLA Medical Center and Orthopaedic Hospital, is being constructed to include 120 acute care beds, with final sitework expected to be achieved by early 2010.

UCLA and The UCLA Foundation's remarkable achievement in recent years in obtaining private support is a testament to UCLA's distinction as a leader in philanthropy among the nation's colleges and universities and the high regard in which the campus and the University are held.

UCLA's Ensuring Academic Excellence initiative, launched in June 2004 by the Foundation, is designed to generate $250 million in private commitments through 2009, specifically to help attract and retain top students and faculty, a campuswide priority. The level of private support underscores the continued confidence among donors in the quality of UCLA's programs and the importance of its mission.

With the demand for campus housing contining to increase, the UC Regents' Committee on Grounds and Buildings has agreed that UCLA can proceed with preliminary design plans, at a cost of $9 million, for the first phase of a new undergraduate student housing project that will provide approximately 1,350 to 1,500 beds. The project will be the first of a two-phase plan to provide a total of 2,500 additional beds in the northwest campus for undergraduates over the next decade. Construction of this first-phase project is expected to be completed by 2012–13 at a cost of approximately $325 to $375 million.

Since a balanced array of many categories of facilities is needed to meet its education, research and public service goals, UCLA continues to assess its long-term capital requirements. These include a new two-story police station replacement builing and the Spieker Aquatic Center, a competitive swimming pool and diving facility being built with a lead gift from former student-athlete Tod Spieker and his wife, Catherine. Support for the campus' capital program will continue to be provided from a combination of sources, including the State of California, external financing, gifts and other sources.

There also are plans for additional capital projects that are not considered to be state-supportable. This is a continuing process that is amended as required to include projects when gifts or other supplemental resources are obtained or financing plans are developed.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information provided by UCLA, including written statements (as outlined above) or oral statements made by its representatives, may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, which address activities, events or developments that UCLA expects or anticipates will or may occur in the future, contain forward-looking information.

In reviewing such information, it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based upon various factors and was derived using various assumptions. UCLA does not undertake to update forward-looking information contained in this report or elsewhere to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking information.

Lifelong Learning

Todd Cheney/UCLA Photography

Gary McCarthy

Above: UCLA Extension's Pathway program class of 2009 gathers for a group photo on campus.

Top: Film and television writers Bill Taub, Sheldon Bull, Phil Kellard, Bill Grundfest and Barry Vigon share their knowledge and experience with the public at UCLA Extension's Writers Faire. The annual campus event, presented before each fall quarter, gives the community a chance to take free mini-courses and seminars with instructors from Extension's Writers' Program.

One of the nation's largest and most comprehensive providers of continuing education, UCLA Extension has served Los Angeles for 90 years, keeping pace with the with the educational needs of this dynamic, ever-changing city.

- UCLA Extension offers 4,500 courses each year, providing professional development and personal growth opportunities for individuals and customized instruction and training for corporations and community organizations.
- More than 60,000 students enroll in Extension courses each year in pursuit of lifelong learning.
- Extension's innovative Pathway program provides a liberal arts education and on-campus living experience to students with developmental disabilities such as Down syndrome and autism. The two-year certificate program focuses on academics, independent living and social skills training.

campaign UCLA

Although Campaign UCLA ended in December 2005, its legacy lives on in terms of increased annual giving levels. In this, the first full post-Campaign year and one that saw a transition of campus leadership, year-end results show a total of $373 million in new gifts and pledges. This marks a 20 percent increase over the previous year's total of $310 million and the eighth consecutive year in which UCLA's gift total has surpassed $250 million.

The campus has seen a dramatic increase in dollars raised to help attract and retain top students and faculty since the June 2004 launch of UCLA's Ensuring Academic Excellence initiative. Designed to generate $250 million in private commitments through 2009 specifically for this campus priority, the initiative generated a record-breaking $73.6 million in 2005–06 and nearly $73 million in 2006–07, bringing its total to $241 million.

In response to the initiative, 24 new endowed chairs were created for faculty in 2006–07. Among them was the Carol and Lawrence E. Tannas Jr. Endowed Chair in Engineering, established through a gift of $1 million to the UCLA Henry Samueli School of Engineering and Applied Science from Carol A. Tannas and Lawrence E. Tannas Jr. '59, M.S. '61.

Graduate student fellowship support for the 2006–07 fiscal year included $200,000 from Alexander W. Astin and Helen S. Astin, professors emeriti at UCLA's Graduate School of Education & Information Studies. Their endowment provides fellowships for two graduate students in the department of education's division of higher education and organizational change.

Also included in the 2006–07 total was an exemplary gift of $10 million to the UCLA College of Letters and Science from Lloyd E. Cotsen. The gift supplemented a $7 million fund he established in 1999, creating one of the largest endowments in the world for the study of archaeology. With 75 faculty members and research associates, the Cotsen Institute of Archaeology at UCLA is now home to the nation's largest collection of working archaeologists.

And the UCLA School of Law received a landmark $5 million gift from David J. Epstein L.L.B. '64, the largest alumni gift ever to the school. The commitment names the David J. Epstein Program in Public Interest Law and Policy and establishes the Jane Epstein Scholarships for Educational Law and Policy, named for Epstein's wife, a lifelong educator.

Private philanthropy continues to secure UCLA's position as a leader in American higher education by supporting pioneering research, providing student and faculty support, enhancing interdisciplinary programs and enabling capital improvements.

Pushing the Boundaries

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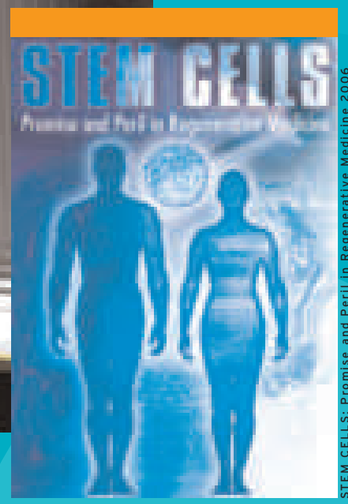
Image courtesy of the UCLA Experiential Technologies Center



STEM CELLS: Promise and Peril in Regenerative Medicine 2006

From the arts and humanities to engineering and medicine, UCLA faculty and researchers work across disciplines to understand the past, improve the present and invent the future.

- In 2006, UCLA researchers submitted 181 new U.S. patent filings and 133 second filings.
- UCLA's Living Independently in Los Angeles, a community-driven online project, uses digital mapping tools and database technology to identify and map local services and programs for Los Angeles County residents living with disabilities.
- At UCLA, over 60 leading scholars, 16 academic departments and more than 20 research centers are engaged in genetics research.

"Universities raise the level of what's possible. They can get academics, researchers, politicians, entrepreneurs, dreamers and doers in the same room to seize moments, face issues, define problems, change priorities, do something."

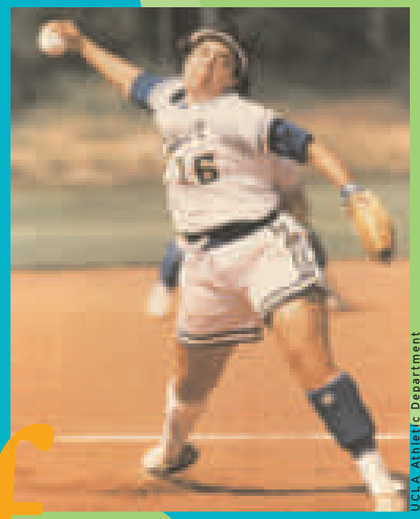
— Richard Ziman, Chairman of American Value Partners

Above: The UCLA Center for Society and Genetics brings together scholars from fields as diverse as law, philosophy, sociology, anthropology, psychology, human genetics and evolutionary biology to create and disseminate knowledge that will help us better understand the profound social, political and ethical ramifications of the new science and enable society to responsibly chart the future of the genetic revolution.

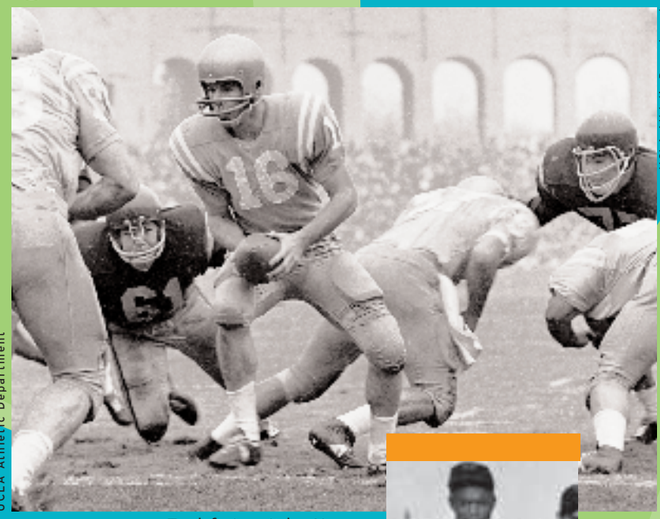
Top left: Employing new advances in digital technology, UCLA scholars are busy recreating historical buildings and monuments, providing access to once-hidden archaeological treasures, and transforming ancient manuscripts and art into online resources available to anyone with Internet access.
This image is taken from a digital reconstruction of the Basilica of Maxentius (circa 400 A.D.), created as part of the Digital Roman Forum Project led by Diane Favro, a professor in the department of architecture and urban design and director of UCLA's Experiential Technologies Center.

UCLA IMPACT

Game Changers



UCLA Athletic Department



UCLA Athletic Department

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From men's basketball to women's water polo, UCLA has won more NCAA team championships than any other college or university in the country. But more than all of our records and all of the accolades, UCLA takes pride in the fact that our athletes go on to shape society with skills that transcend their physical talents. UCLA has created a living, breathing legacy of athletes and coaches who have changed the world of athletics and beyond.

- In May 2007, UCLA became the first school to win 100 NCAA team championships.
- In April 2005, *Sports Illustrated On Campus* stated that "UCLA has the most complete athletic program in the country."

Top left: Ace pitcher Lisa Fernandez posted the NCAA's best earned run average twice as a member of the UCLA softball team and went on to win Olympic gold in 1996, 2000 and 2004. She now coaches softball at UCLA. Top right: UCLA quarterback Gary Beban '70 won the Heisman Trophy in 1967. Today, he is a senior executive managing director at CB Richard Ellis, a global provider of real estate services. Right: Jackie Robinson lettered in football, track, baseball and basketball at UCLA before becoming the first African-American player in Major League Baseball.

"At UCLA, you knew you had to work hard. The competitiveness and the challenges demand the best out of you ... and [you] just had that opportunity to step up or give up on the dream. I realized I can do this. I became a doctor. I did it."

— Dorothy "Dot" Richardson, M.D.
Orthopedic Surgeon, B.S. in Kinesiology '84, Olympic Gold Medalist/Softball

TRANSMITTAL LETTER

The accompanying Financial Statements reflect the financial position and the results of operations of the University of California, Los Angeles (UCLA), for the fiscal year ended June 30, 2007.

The UCLA Financial Statements are not individually audited, but rather are audited as part of the Consolidated Annual Financial Report of the University of California by the firm of PricewaterhouseCoopers, whose report is transmitted to The Regents.

The accompanying Financial Statements and Management's Discussion and Analysis detail only local campus activity. This separate UCLA Annual Financial Report, while not separately audited, is prepared from the official University of California records and accounts, which are maintained in accordance with the standards prescribed by the Governmental Accounting Standards Board (GASB).

In compliance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, the financial activity of the legally separate, tax-exempt UCLA Foundation can be found discretely recorded on the campus' financial statements under a separate column titled "Foundation."

Respectfully submitted,

Susan K. Abeles
Assistant Vice Chancellor/Controller
Corporate Financial Services

UNIVERSITY OF CALIFORNIA, LOS ANGELES

STATEMENT OF NET ASSETS

For Fiscal Year Ended June 30, 2007, with comparative totals for 2006

(dollars in thousands)	CAMPUS* 2007	CAMPUS* 2006	FOUNDATION 2007	FOUNDATION 2006
ASSETS				
Cash	$ 23,852	$ 26,680	$ 731	$ 1,460
Short-term investments	1,381,961	1,131,767	150,813	141,059
Investment of cash collateral	-	-	47,600	50,372
Investments held by trustees	127	120	-	-
Accounts receivable, net	450,825	409,223	4,053	3,710
Pledges receivable, net	7,747	3,298	37,342	36,756
Current portion of notes and mortgages receivable, net	5,921	6,453	42	389
Inventories	30,006	29,383	-	-
Other current assets	32,983	26,894	1,034	3,002
Current assets	1,933,422	1,633,818	241,615	236,748
Investments	-	-	1,051,765	861,552
Investments held by trustees	11,928	20,934	-	-
Pledges receivable	19,120	6,306	152,992	170,814
Notes and mortgages receivable, net	62,658	59,110	551	121
Land, buildings, equipment, libraries and collections, net	4,053,189	3,830,488	23,484	28,293
Other noncurrent assets	18,147	14,952	8,965	6,830
Noncurrent assets	4,165,042	3,931,790	1,237,757	1,067,610
Total assets	$ 6,098,464	$ 5,565,608	$ 1,479,372	$ 1,304,358
LIABILITIES				
Accounts payable	$ 294,760	$ 252,837	$ 1,351	$ 1,644
Accrued salaries and benefits	95,235	77,833	-	-
Deferred revenue	185,547	168,683	1,551	1,453
Current portion of long-term debt	29,132	26,730	47,600	50,372
Funds held for others	-	-	75,493	67,002
Other current liabilities	101,003	97,876	6,305	6,060
Current liabilities	705,677	623,959	132,300	126,531
Federal refundable loans	43,511	43,056	-	-
Obligations under life income agreements	-	-	47,515	44,609
Long-term debt	725,879	524,414	-	-
Other noncurrent liabilities	81,861	83,355	-	-
Noncurrent liabilities	851,251	650,825	47,515	44,609
Total liabilities	$ 1,556,928	$ 1,274,784	$ 179,815	$ 171,140
NET ASSETS				
Invested in capital assets, net of related debt	$ 3,310,912	$ 3,299,511	$ -	$ -
Restricted:				
Nonexpendable:				
Endowments	-	-	428,948	386,216
Annuity and life income funds	-	-	23,481	19,962
Expendable:				
Endowments	-	-	268,226	177,379
Annuity and life income funds	-	-	17,564	16,702
Funds functioning as endowment	-	-	410,636	377,329
Grants and contracts	-	-	-	-
Gifts	169,267	135,386	146,662	153,234
Loans	42,885	40,792	-	-
Capital projects	140,083	44,522	-	-
Debt service	14,193	13,151	-	-
Appropriations	3,844	7,461	-	-
Other	55,965	54,146	-	-
Unrestricted	804,387	695,855	4,040	2,396
Total net assets	$ 4,541,536	$ 4,290,824	$ 1,299,557	$ 1,133,218

**See accompanying Notes to Financial Statements.*

UNIVERSITY OF CALIFORNIA, LOS ANGELES

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For Fiscal Year Ended June 30, 2007, with comparative totals for 2006

(dollars in thousands)	CAMPUS* 2007	CAMPUS* 2006	FOUNDATION 2007	FOUNDATION 2006
OPERATING REVENUES				
Student tuition and fees, net	$ 310,724	$ 297,434	$ -	$ -
Grants and contracts:				
Federal	612,430	601,537	-	-
State	43,961	41,473	-	-
Private	140,001	134,248	-	-
Local	36,523	32,796	-	-
Sales and services:				
Medical centers	1,065,018	992,385	-	-
Educational activities	485,346	435,099	-	-
Auxiliary enterprises, net	295,528	267,418	-	-
Private gifts	-	-	146,417	110,274
Other operating revenues, net	47,637	47,412	-	-
Total operating revenues	3,037,168	2,849,802	146,417	110,274
OPERATING EXPENSES				
Salaries and wages	1,935,290	1,789,945	-	-
Benefits	393,544	369,690	-	-
Scholarships and fellowships	52,322	56,424	-	-
Utilities	91,076	85,555	-	-
Supplies and materials	410,812	396,795	-	-
Depreciation	168,363	175,956	-	-
Campus foundation grants	-	-	161,742	117,728
Other operating expenses	593,521	511,563	840	699
Total operating expenses	3,644,928	3,385,928	162,582	118,427
Operating loss	(607,760)	(536,126)	(16,165)	(8,153)
NONOPERATING REVENUES (EXPENSES)				
State educational appropriations	603,571	555,888	-	-
State financing appropriations	26,842	26,839	-	-
Private gifts	181,153	156,719	-	-
Investment income	-	-	77,386	80,188
Other	1,070	1,684	-	-
Net appreciation in fair value of investments	-	-	76,128	14,051
Interest expense	(28,013)	(24,166)	-	-
Gain (loss) on disposal of capital assets, net	12,043	(2,310)	-	-
Other nonoperating revenues (expenses)	1,589	3,401	(10,657)	(5,527)
Net nonoperating revenues (expenses)	798,255	718,055	142,857	88,712
Income (loss) before other change net assets	190,495	181,929	126,692	80,559
OTHER CHANGES IN NET ASSETS				
State capital appropriations	14,313	40,193	-	-
Capital gifts and grants	127,195	50,392	-	-
Permanent endowments	-	-	39,647	36,325
Transfers	(81,291)	102,394	-	-
Increase in net assets	250,712	374,908	166,339	116,884
NET ASSETS				
Net assets, beginning of year	4,290,824	3,917,561	1,133,218	1,016,334
Cumulative effect of a change in accounting principle	-	(1,645)	-	-
Net assets, end of year	$ 4,541,536	$ 4,290,824	$ 1,299,557	$ 1,133,218

**See accompanying Notes to Financial Statements.*

TRANSFERS

For Fiscal Year Ended June 30, 2007, with comparative totals for 2006

(dollars in thousands)	CAMPUS* 2007	CAMPUS* 2006
Current (to)/from loan	$ -	$ -
Current:		
Intrafund	-	-
Intercampus	247,258	249,420
Interfund	(87,986)	(92,110)
Net revenue of bonds and other indebtedness programs	(69,657)	(61,190)
Indirect cost recovery	(2,923)	(2,361)
Net adjustments	-	-
Unexpended plant	56,158	218,563
Retirement of indebtedness	(68,880)	(59,648)
Investment in plant:		
Intrafund transfer assets	(28)	47
Intrafund transfer depreciation	11	2,170
Renewals and replacements	-	-
Loan	863	739
Indirect cost recovery	(156,107)	(153,236)
Total transfers	$ (81,291)	$ 102,394

See accompanying Notes to Financial Statements.

STATEMENT OF CASH FLOWS

For Fiscal Year Ended June 30, 2007, with comparative totals for 2006

(dollars in thousands)	CAMPUS* 2007	CAMPUS* 2006	FOUNDATION 2007	FOUNDATION 2006
CASH FLOWS FOR OPERATING ACTIVITIES				
Student tuition and fees, net	$ 309,865	$ 298,495	$ -	$ -
Grants and contracts	839,831	795,854	-	-
Receipts from sales and services of:				
Medical centers	1,033,487	974,688	-	-
Educational activities	482,184	436,667	-	-
Auxiliary enterprises, net	295,132	273,005	-	-
Collection of loans from students and employees	11,406	16,313	-	-
Private gifts	-	-	163,362	124,106
Payments to employees	(1,927,401)	(1,858,695)	-	-
Payments to suppliers and utilities	(1,047,652)	(986,150)	-	-
Payments to OPEB	(40,341)	(34,345)	-	-
Payments for benefits	(342,646)	(334,311)	-	-
Payments for scholarships and fellowships	(52,322)	(56,424)	-	-
Loans issued to students and employees	(14,512)	(16,828)	-	-
Operating expenses and grants	-	-	(162,582)	(118,427)
Other receipts (payments)	37,215	37,857	2,248	(189)
Net cash used by operating activities	(415,754)	(453,874)	3,028	5,490
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State educational appropriations	603,571	555,888	-	-
Gifts received for other than capital purposes:				
Private gifts for endowment purposes	-	-	39,647	36,325
Other private gifts	163,843	154,543	-	-
Other receipts (payments)	3,985	15,300	-	-
Net cash provided by noncapital financing activities	771,399	725,731	39,647	36,325
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Commercial paper financing:				
Proceeds from issuance	-	-	-	-
Payments of principal	-	-	-	-
Interest paid	-	-	-	-
State capital appropriations	11,115	49,387	-	-
State financing appropriations	13,153	12,817	-	-
Capital gifts and grants	113,950	39,009	-	-
Proceeds from debt issuance	262,090	40,338	-	-
Proceeds from the sale of capital assets	16,360	-	-	-
Purchases of capital assets	(361,301)	(414,789)	-	-
Refinancing/prepayment of outstanding debt	(38,618)	(5,801)	-	-
Principal paid on debt and capital leases	(20,951)	(15,697)	-	-
Interest paid on debt and capital leases	(22,786)	(16,304)	-	-
Net cash used by capital and related financing activities	(26,988)	(311,040)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments:				
Short-term investment pool	-	-	-	-
Other investments	-	-	141,549	97,120
Purchase of investments:				
Short-term investment pool	-	-	-	-
Other investments	-	-	(207,278)	(158,971)
Investment income, net of investment expenses	-	-	22,325	20,659
Net cash provided by investing activities	-	-	(43,404)	(41,192)
Cumulative effect of change in accounting principles	-	(1,645)	-	-
Intercampus transactions	-	-	-	-
Transfers	(81,291)	102,394	-	-
Net (decrease) increase in cash	247,366	61,566	(729)	623
Cash, beginning of year	1,158,447	1,096,881	1,460	837
Cash, end of year	$ 1,405,813	$ 1,158,447	$ 731	$ 1,460

See accompanying Notes to Financial Statements.

notes to financial statements

ORGANIZATION/FINANCIAL REPORTING ENTITY

The University of California (the University) was founded in 1868 as a public, state-supported institution. The California State Constitution provides that the University shall be a public trust administered by the corporation "The Regents of the University of California," which is vested with full powers of organization and government, subject only to such legislative control necessary to ensure the security of its funds and compliance with certain statutory and administrative requirements. The majority of the 26-member independent governing board (The Regents) are appointed by the governor and approved by the state Senate. Various University programs and capital outlay projects are funded through appropriations from the state's annual Budget Act. The University's financial statements are discretely presented in the state's general-purpose financial statements as a component unit. Additionally, the University's consolidated financial statements, including 10 campuses, five medical centers, a statewide agricultural extension program, the University of California Retirement System and certain operational results of three major Department of Energy laboratories, are subjected to an independent annual audit.

The Los Angeles campus of the University of California was founded in 1919 and is financially the largest campus in the 10-campus University of California system. The financial statements included in this annual report present the combined activities of the Los Angeles campus, including the UCLA Medical Center. The accounts of the Los Angeles campus are subject to limited-scope procedures as a part of the annual audit of the financial statements of the entire University of California. The financial statements for the Los Angeles campus have not been individually audited.

ASUCLA's financial data for the fiscal year ended June 30, 2007, have been included in the financial statements in order to reflect total financial activity of the UCLA campus. ASUCLA conducts activities on the UCLA campus pursuant to the Statement of Understanding of ASUCLA's Relationship with the University, dated June 28, 1974.

The UCLA Foundation is a nonprofit, public-benefit corporation organized for the purpose of accepting and administering the full range of private contributions for the campus. The financial activities of the separately incorporated foundation are not reflected within the campus' records until such time as gifts are transferred from the foundation to the campus. However, in accordance with the statements of the Governmental Accounting Standards Board (GASB) detailed below, foundation activity is noted on the campus' financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the UCLA campus have been prepared in accordance with generally accepted accounting principles, including all applicable effective statements of the Governmental Accounting Standards Board (GASB) and all statements of the Financial Accounting Standards Board through November 30, 1989, using the economic resources measurement focus and the accrual basis of accounting.

The significant accounting policies followed by UCLA are summarized as follows:

Cash. The University considers all balances in demand deposit accounts to be cash. All other highly liquid cash equivalents are considered to be short-term investments.

Short-term investments. UCLA participates in a temporary investment pool that is administered by the Office of the President. Income earned on investments is distributed based on average investments in the pool. This pool invests primarily in U.S. Treasury securities, commercial paper and short-term corporate notes with cost approximating market value. These temporary investments are considered cash equivalents for the purposes of the statement of cash flows.

Educating the Educators

Todd Cheney/UCLA Photography

As part of its commitment to improving educational practice in a diverse society, UCLA's Graduate School of Education & Information Studies, together with its affiliated institutes and research centers, provides continuing professional training for schoolteachers, helps prepare students for college and works to ensure that California schools remain competitive.

Corinne A. Seeds University Elementary School (UES), UCLA's on-campus laboratory school, serves as a research center on education and child development and a training center for teachers. Its curriculum helps students develop social, cognitive and technological skills for lifelong learning.

Hasmik Avetisian

Andres Rosenthal

Todd Cheney/UCLA Photography

Above (left to right): Working with graduate students from the UCLA Department of Architecture, 4-year-olds build a house for the squirrels on their playground; in a scientific study of force and motion, 5- to 7-year-olds create a model robot out of found objects; listening to books read aloud and using the library's resources is an important part of the curriculum for all UES students.

- The UCLA Department of Education is ranked No. 5 in the country overall and No. 1 among education schools at public universities by *U.S. News & World Report.*
- Corinne A. Seeds University Elementary School is a laboratory — and national education resource — where teachers apply innovative theories and techniques to identify the most effective real-world educational methods, which are then brought to K–12 schools throughout California.

Investments. Investments for endowment monies and other similar funds are primarily administered centrally by the Office of the President and are not reflected on the UCLA local financial statements. These funds consist of endowments, funds functioning as endowment, and annuity and life income funds. Endowments require that the principal be invested in perpetuity, with the income used in accordance with the terms specified by the donor. Funds functioning as endowment are primarily gifts and related gains that the University treats as endowments, with the exception that any portion of these funds may be expended at the University's discretion. Annuity and life income funds are held in trust by the University with the annuity or income paid periodically to designated beneficiaries; principal of these funds vests with the University and payments cease upon the death of the beneficiaries.

Monies are invested by the treasurer of The Regents and the income is transferred to individual campuses annually. A substantial portion of the net assets of the endowment and similar funds participates in a general endowment pool. Each individual fund subscribes to or disposes of units on the basis of the market value per unit at the end of the calendar month within which the transaction takes place. Investments include equities, high-yield equities, bonds and real estate.

Accounts receivable. Accounts receivable include reimbursements due from state and federal sponsors of externally funded research, patient billings, accrued income on investments and other receivables. Other receivables include local government and private grants and contracts; pledges; educational activities; and amounts due from students, employees and faculty for services.

Pledges. Unconditional pledges of private gifts to the campus to be received in the future are recorded as pledges receivable and revenue in the year promised at the present value of expected cash flows. Conditional pledges, including pledges of endowments to be received in future periods, and intentions to pledge are recognized as receivables and revenues when the specified conditions are met.

Notes and mortgages receivable. Loans to students are provided by federal student loan programs and other University sources. Home mortgage loans, primarily to faculty, are provided by the University's Short-Term Investment Pool and other University sources. Mortgage loans provided by the Short-Term Investment Pool are classified as investments, and loans provided by other sources are classified as mortgages receivable in the statement of net assets.

Inventories. Inventories are valued at cost, typically determined using the weighted average method, which is not in excess of net realizable value.

Land, infrastructure, buildings, equipment, libraries and collections. Land, infrastructure, buildings and improvements, equipment, libraries and collections, and special collections are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. Capital leases are recorded at the present value of future minimal lease payments. Significant additions, replacements, major repairs and renovations are generally capitalized if the cost exceeds $35,000 and if they have a useful life of more than one year. Minor renovations are charged to operations. Equipment with a cost in excess of $5,000 and a useful life of more than one year is capitalized. All costs of land, library collections, and special collections are capitalized.

Depreciation is calculated using the straight-line method over the estimated economic life of the asset. Leasehold improvements are amortized using the straight-line method over the life of the applicable lease or the economic life of the asset, whichever is shorter.

Estimated economic lives are generally as follows:

Infrastructure	25 years
Buildings and improvements	15–33 years
Equipment	2–20 years
Computer software	3–7 years
Library books and materials	15 years

Capital assets acquired through federal grants and contracts where the federal government retains a reversionary interest are also capitalized and depreciated.

Inexhaustible capital assets - such as land or special collections that are protected, preserved and held for public exhibition, education or research, including art, museum, scientific and rare book collections - are not depreciated.

Interest on borrowings to finance facilities is capitalized during construction, net of any investment income earned during the temporary investment of project-related borrowings.

Deferred revenue. Deferred revenue primarily includes amounts received from grant and contract sponsors that have not been earned under the terms of the agreement and other revenue billed in advance of the event, such as student tuition and fees and fees for housing and dining services.

Funds held for others. Funds held for others result from the University acting as an agent or fiduciary on behalf of organizations that are not significant or financially accountable to the University.

Federal refundable loans. Certain loans to students are administered by the campus with funding primarily supported by the federal government. The University's statement of net assets includes both the notes receivable and the related federal refundable loan liability representing federal capital contributions owed upon termination of the program.

Net assets. Net assets are classified for accounting and reporting purposes into the following categories:

Invested in capital assets, net of related debt. This category includes all of the campus' capital assets, net of accumulated depreciation, reduced by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted. The campus classifies net assets resulting from transactions with purpose restrictions as restricted net assets until the specific resources are used for the required purpose or for as long as the provider requires the resources to remain intact.

Nonexpendable. Net assets subject to externally imposed restrictions that must be retained in perpetuity by the University are classified as nonexpendable net assets. Such assets include the University's permanent endowment funds. Because the Office of the President administers these funds, UCLA's local financial statements do not reflect balances for nonexpendable assets.

Expendable. Net assets whose use by the campus or campus foundation is subject to externally imposed restrictions that can be fulfilled by actions of the University pursuant to those restrictions or that expire by the passage of time are classified as expendable net assets.

Unrestricted. Net assets that are neither restricted nor invested in capital assets, net of related debt, are classified as unrestricted net assets. Unrestricted net assets may be designated for specific purposes by management or The Regents. Substantially all unrestricted net assets are allocated for academic and research initiatives or programs, or for capital programs.

Revenues and expenses. Operating revenues include receipts from student tuition and fees, grants and contracts for specific operating activities, and sales and services from medical centers, educational activities and auxiliary enterprises. Operating expenses incurred in conducting the programs and services of the UCLA campus and medical centers are presented in the statement of revenues, expenses and changes in net assets as operating activities.

In accordance with GASB Statement No. 35, *Basic Financial Statements — and Management's Discussion and Analysis — for Public Colleges and Universities*, certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the campus are mandated to be recorded as nonoperating revenues, including state educational appropriations, private gifts and investment income.

Campus foundations are established to financially support the University. Private gifts to campus foundations are recognized as operating revenues on the foundation's statements since, in contrast to the University, such contributions are fundamental to the core mission of the foundations. When the gift is transferred from a foundation to the campus, the campus records the revenue as nonoperating revenue.

Nonoperating revenues and expenses include state educational appropriations (for the support of UCLA operating expenses); state financing appropriations; private gifts for other than capital purposes; investment income, net unrealized appreciation or depreciation in the fair value of investments; interest expense; and gain or loss on the disposal of capital assets.

State capital appropriations and capital gifts and grants are classified as other changes in net assets.

Student tuition and fees. Substantially all of the student tuition and fees provide for current operations of the campus. A small portion of the student fees, reported as capital gifts and grants, is required for debt service associated with student union and recreational centers. Certain waivers of student tuition and fees considered to be scholarship allowances are recorded as an offset to revenue.

State appropriations. The State of California provides appropriations to the University, which are allocated to the campuses on an annual basis. State educational appropriations are recognized as nonoperating revenue; however, the related expenses are incurred to support either educational operations or other specific operating purposes. State appropriations for capital projects are recorded as revenue under other changes in net assets when the related expenditures are incurred. Special state appropriations for AIDS, tobacco and breast cancer research are reported as grant revenue.

Grant and contract revenue. UCLA receives grant and contract revenue from governmental and private sources. The campus recognizes revenue associated with the direct costs of sponsored programs as the related expenditures are incurred. Recovery of facilities and administrative costs of federally sponsored programs are at cost reimbursement rates negotiated with the University's federal cognizant agency, the Department of Health and Human Services. For the fiscal year ended June 30, 2007, the facilities and administrative cost recovery totaled $158.3 million, $135 million from federally sponsored programs and $23.3 million from other sponsors. For the fiscal year ended June 30, 2006, the facilities and administrative cost recovery totaled $155.4 million, $133.1 million from federally sponsored programs and $22.3 million from other sponsors.

The majority of the recovery of facilities and administrative costs from contract and grant activity are transferred to the Office of the President as part of the closing process and then reallocated at a designated rate to the campus in the next fiscal year. The amount transferred for 2007 was $156.1 million; the amount transferred for 2006 was $153.2 million. The remaining balances not transferred are attributed to projects classified as clinical drug trials.

Medical center revenue. Medical center revenue is reported at the estimated net realizable amounts from patients and third-party payers, including Medicare, Medi-Cal and others, for services rendered, as well as estimated retroactive adjustments under reimbursement agreements with third-party payers. Laws and regulations governing Medicare and Medi-Cal are complex and subject to interpretation. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. It is reasonably possible that estimated amounts accrued could change significantly based upon settlement or as additional information becomes available.

Scholarship allowances. The campus recognizes certain scholarship allowances, which include both financial aid and fee waivers, as the difference between the stated charge for tuition and fees, housing and dining charges, recreational center fees, etc., and the amount that is paid by the student or by third parties on behalf of the student. Payments of financial aid made directly to students are classified as scholarship and fellowship expenses.

Scholarship allowances in the following amounts are recorded as an offset to revenues for the years ended June 30, 2007 and 2006:

(dollars in thousands)	2007	2006
Student tuition and fees	$ 112,265	$ 105,186
Sales and services of auxiliary enterprises	31,648	31,875
Scholarship allowances	$ 143,913	$ 137,061

Compensated absences. UCLA accrues annual leave for employees at rates based upon length of service and job classification, and compensatory time based upon job classification and hours worked.

Endowment spending. Under provisions of California law, the Uniform Management of Institutional Funds Act allows for investment income, as well as a portion of realized and unrealized gains, to be expended for the operational requirements of University programs.

Tax exemption. UCLA is qualified as a tax-exempt organization under the provisions of Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income.

Use of estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenditures during the reporting period. Actual amounts could differ from those estimates.

Comparative information. 2006 financial information is included as comparative values to the 2007 presentation.

1. CASH

The University maintains centralized management for substantially all of its cash. Cash in demand deposit accounts is minimized by sweeping available cash balances into investment accounts on a daily basis. At June 30, 2007 and 2006, the carrying amount of UCLA's equity in the Treasurer's investment, transferred to the Treasurer's Office as part of the University's investment, was $1.38 billion and $1.13 billion, respectively, compared with bank balances of $23.8 million and $26.7 million, respectively. The timing of deposits in transit, varying from year to year, is the primary difference.

2. INVESTMENTS HELD BY TRUSTEES

UCLA has entered into agreements with trustees to maintain trusts for long-term debt requirements. All investments held by trustees are insured, registered or held by the campus' trustee or custodial bank, as fiduciary for the bondholder or as agent for the University.

The trust agreements for long-term debt permit trustees to invest in U.S. and state government or agency obligations, commercial paper or other corporate obligations meeting certain credit rating requirements.

Noncurrent investments held by trustees are for future payment of principal and interest in accordance with various indenture and other long-term debt requirements. The fair value of these investments was $11.9 million and $20.9 million at June 30, 2007 and 2006, respectively. The decrease of $9 million is attributed to state public works bonds transferred mainly for the replacement hospitals.

UCLA's deposits into the trusts, or receipts from the trust, are classified as a capital and related financing activity in the statement of cash flows as it is related to long-term debt requirements. Investment transactions initiated by trustees in conjunction with the management of the trust assets and payments from the trust to third parties are not included in the campus' statement of cash flows.

3. ACCOUNTS RECEIVABLE

Accounts receivable and the allowances for uncollectible amounts at June 30, 2007 and 2006, are as follows:

(dollars in thousands)	STATE & FEDERAL GOVERNMENT	MEDICAL CENTERS	OTHER	TOTAL
At June 30, 2007				
Accounts receivable	$ 93,026	$ 278,563	$ 136,799	$ 508,388
Allowance for uncollectible amounts	(25)	(49,345)	(8,193)	(57,563)
Accounts receivable, net	$ 93,001	$ 229,218	$ 128,606	$ 450,825
At June 30, 2006				
Accounts receivable	$ 82,670	$ 241,032	$ 136,993	$ 460,695
Allowance for uncollectible amounts	(41)	(43,346)	(8,085)	(51,472)
Accounts receivable, net	$ 82,629	$ 197,686	$ 128,908	$ 409,223

(Other accounts receivable are primarily related to private grants and contracts, physicians' professional fees, investment sales, tuition and fees, and auxiliary enterprises.)

4. PLEDGES RECEIVABLE

The composition of pledges receivable at June 30, 2007 and 2006 is summarized as follows:

(dollars in thousands)	2007	2006
Total pledges receivable outstanding	$ 31,665	$ 10,904
Less: Unamortized discount to present value	(3,538)	(1,034)
Allowance for uncollectible pledges	(1,260)	(266)
Total pledges receivable, net	26,867	9,604
Less: Current portion of pledges receivable	(7,747)	(3,298)
Noncurrent portion of pledges receivable	$ 19,120	$ 6,306

5. NOTES AND MORTGAGES RECEIVABLE

Notes and mortgages receivable at June 30, 2007 and 2006, along with allowances for uncollectible amounts, are as follows:

(dollars in thousands)	CURRENT	NONCURRENT NOTES	NONCURRENT MORTGAGES	TOTAL
At June 30, 2007				
Notes and mortgages receivable	$ 6,386	$ 57,477	$ 6,912	$ 70,775
Allowance for uncollectible amounts	(465)	(1,613)	(115)	(2,193)
Notes and mortgages receivable, net	$ 5,921	$ 55,864	$ 6,797	$ 68,582
At June 30, 2006				
Notes and mortgages receivable	$ 7,058	$ 55,246	$ 5,586	$ 67,890
Allowance for uncollectible amounts	(605)	(1,607)	(115)	(2,327)
Notes and mortgages receivable, net	$ 6,453	$ 53,639	$ 5,471	$ 65,563

6. LAND, INFRASTRUCTURE, BUILDINGS, EQUIPMENT, LIBRARIES AND COLLECTIONS

The campus' capital asset activity for the years ended June 30, 2007 and 2006, is as follows:

(dollars in thousands)	2005	ADDITIONS	DISPOSALS	2006	ADDITIONS	DISPOSALS	2007
ORIGINAL COST							
Land	$ 80,207	$ -	$ -	$ 80,207	$ 4,230	$ (1,600)	$ 82,837
Infrastructure	7,754	-	-	7,754	-	-	7,754
Buildings and improvements	2,624,844	333,699	-	2,958,543	34,269	(3,029)	2,989,783
Equipment	838,219	67,612	(74,663)	831,168	77,821	(45,718)	863,271
Libraries and collections	466,970	19,717	-	486,687	20,878	-	507,565
Special collections	58,327	2,855	(7)	61,175	3,854	(74)	64,955
Construction in progress	1,565,357	10,926	-	1,576,283	254,318	-	1,830,601
Capital assets, at original cost	$ 5,641,678	$ 434,809	$ (74,670)	$ 6,001,817	$ 395,370	$ (50,421)	$ 6,346,766

	2005	DEPRECIATION & AMORTIZATION	DISPOSALS	2006	DEPRECIATION & AMORTIZATION	DISPOSALS	2007
ACCUMULATED DEPRECIATION AND AMORTIZATION							
Infrastructure	$ 5,645	$ 200	$ -	$ 5,845	$ 136	$ -	$ 5,981
Buildings and improvements	1,190,031	85,953	-	1,275,984	90,455	(2,023)	1,364,416
Equipment	528,813	75,811	(74,531)	530,093	72,300	(44,092)	558,301
Libraries and collections	345,415	13,992	-	359,407	5,472	-	364,879
Accumulated depreciation and amortization	$ 2,069,904	$ 175,956	$ (74,531)	$ 2,171,329	$ 168,363	$ (46,115)	$ 2,293,577
Capital assets, net	$ 3,571,774			$ 3,830,488			$ 4,053,189

7. DEBT

The University may finance the construction, renovation and acquisition of certain facilities and equipment through the issuance of debt obligations. Commercial paper provides for interim financing, which is accounted for on a systemwide basis. Long-term financing includes revenue bonds, certificates of participation, mortgages and other borrowings, and capital lease obligations.

UCLA's outstanding debt at June 30, 2007 and 2006, is as follows:

(dollars in thousands)	INTEREST RATES	MATURITY YEARS	2007	2006
LONG-TERM FINANCING				
Hospital Revenue Bonds Series 2002, 2004 & 2007, net	*2.5 - 5.5%	2008 - 2047	$ 543,175	$ 296,549
Mortgages and other borrowings	5.875 - 6.07%	2008 - 2009	22,912	57,423
Capital lease obligations - state lease revenue bonds	*2.6 - 5%	2008 - 2022	149,245	155,430
Capital lease obligations	2.57 - 9.75%	2008 - 2013	39,679	41,742
Total long-term outstanding debt			$ 755,011	$ 551,144

** bond coupon rates are shown*

Outstanding Debt Activity

Activity with respect to the campus' current and noncurrent debt for the years ended June 30, 2007 and 2006, is as follows:

(dollars in thousands)	REVENUE BONDS	MORTGAGES AND OTHER BORROWINGS	CAPITAL LEASE OBLIGATIONS	TOTAL
YEAR ENDED JUNE 30, 2007				
Current portion at June 30, 2006	$ 5,437	$ 36	$ 21,257	$ 26,730
Reclassification from noncurrent	5,624	38,622	24,357	68,603
Refinance or prepay of principal on bank loan	-	(38,618)	-	(38,618)
Principal payments	(5,452)	(40)	(22,091)	(27,583)
Current portion at June 30, 2007	5,609	-	23,523	29,132
Noncurrent portion at June 30, 2006	291,112	57,387	175,915	524,414
New obligations	252,078	4,147	13,843	270,068
Reclassification to current	(5,624)	(38,622)	(24,357)	(68,603)
Noncurrent portion at June 30, 2007	537,566	22,912	165,401	725,879
TOTAL	$ 543,175	$ 22,912	$ 188,924	$ 755,011
YEAR ENDED JUNE 30, 2006				
Current portion at June 30, 2005	$ 1,016	$ 32	$ 19,711	$ 20,759
Reclassification from noncurrent	5,437	5,838	22,666	33,941
Principal payments	(1,016)	(5,834)	(21,120)	(27,970)
Current portion at June 30, 2006	5,437	36	21,257	26,730
Noncurrent portion at June 30, 2005	296,549	38,922	219,378	554,849
New obligations	-	24,303	(20,797)	3,506
Reclassification to current	(5,437)	(5,838)	(22,666)	(33,941)
Noncurrent portion at June 30, 2006	291,112	57,387	175,915	524,414
TOTAL	$ 296,549	$ 57,423	$ 197,172	$ 551,144

Revenue Bonds

Revenue bonds have financed various auxiliary, administrative, academic and research facilities of the University. They have annual principal and semiannual interest payments, and serial and term maturities; they contain sinking fund requirements and may have optional redemption provisions.

Revenue bonds for medical centers and auxiliary enterprises are collateralized by a pledge of the net revenues generated by the enterprises. Revenue bonds for research facilities and certain revenue bonds for administrative and academic facilities are collateralized by a pledge of the University's share of facilities and administrative rate recoveries received on federal research grants and contracts performed by the University. Revenue bonds are not collateralized by any encumbrance, mortgage or other pledge of property, except pledged revenues, and do not constitute general obligations of The Regents.

The Multiple Purpose Projects Revenue Bond indentures require the University to achieve net revenues, after expenses and requirements for senior lien indentures, equal to 1.25 times debt service and to maintain certain other financial covenants. The Hospital Revenue Bonds require the University to achieve net revenues of 1.1 times to 1.2 times debt services (depending on the indenture); set limitations on encumbrances, indebtedness, disposition of assets and transfer services; and maintain certain other financial covenants. The Multiple Purpose Projects Revenue Bond and Hospital Revenue Bond indentures require the University to use the facilities in a way that will not cause the interest on the bonds to be included in the gross income of the holders of the bonds for federal tax purposes.

Mortgages and Other Borrowings

Mortgages and other borrowings consist of contractual obligations resulting from the acquisition of land or buildings and the construction and renovation of certain facilities. The mortgages are collateralized by real property.

As part of the University, UCLA may use uncollateralized bank lines of credit with commercial banks to supplement commercial paper to provide interim financing for buildings and equipment. Line-of-credit commitments, with various expiration dates through 2009, totaled $26.5 million at June 30, 2007. Outstanding borrowing under these bank lines totaled $22.9 million and $57.4 million at June 30, 2007 and 2006, respectively, and is included in mortgages and other borrowings.

Capital Leases

Capital leases entered into with other lessors, primarily for the replacement hospital and equipment, totaled $188.9 million in 2007, down from $197.1 million in 2006. The majority of that amount, $149.2 million, is attributed to State Lease Revenue Bonds issued to finance the UCLA replacement hospitals in Santa Monica and Westwood; the bonds mature in 2022.

Future Debt Service

Future debt service payments for each of the five fiscal years subsequent to June 30, 2007, and thereafter are as follows:

(dollars in thousands) Year Ending June 30	REVENUE BONDS	CERTIFICATES OF PARTICIPATION	MORTGAGES AND OTHER BORROWINGS	CAPITAL LEASES STATE	CAPITAL LEASES OTHER	TOTAL PAYMENTS	PRINCIPAL	INTEREST
2008	$ 30,981	$ -	$ 566	$ 13,816	$ 18,216	$ 63,579	$ 36,752	$ 42,364
2009	33,256	-	23,498	13,778	12,410	82,942	59,855	41,917
2010	60,415	-	-	13,766	5,502	79,683	55,827	39,378
2011	31,247	-	-	13,744	3,573	48,564	26,556	37,483
2012	33,993	-	-	13,922	2,194	50,109	29,218	36,376
2013-2017	169,957	-	-	68,483	69	238,509	149,149	156,360
2018-2022	160,987	-	-	68,113	-	229,100	160,847	111,232
2023-2028	125,131	-	-	13,592	-	138,723	80,887	78,539
2028-2032	125,126	-	-	-	-	125,126	79,565	60,553
2033-2037	125,126	-	-	-	-	125,126	82,585	42,541
2038-2042	92,830	-	-	-	-	92,830	70,250	22,580
2043-2047	71,304	-	-	-	-	71,304	62,605	8,699
Total future debt service	1,060,353	-	24,064	219,214	41,964	1,345,595	$ 894,096	$ 678,023
Less interest component of future payments	528,775	-	1,152	69,969	2,285	602,181		
Principal portion of future payments	531,578	-	22,912	149,245	39,679	743,414		
Deferred premium & deferred financing, net - Medical Center	11,597	-	-	-	-	11,597		
Total long-term outstanding debt	$ 543,175	$ -	$ 22,912	$ 149,245	$ 39,679	$ 755,011		

(Future payments in which UCLA participates, but not included above, are the systemwide state capital leases that are held at the Office of the President. The principal portion totals $226.5 million, and interest $75.8 million, through 2030.)

8. SELF-INSURANCE AND OTHER LIABILITIES

UCLA's other liabilities, primarily employee leave and other compensated absences with similar characteristics and accrued interest, at June 30, 2007 and 2006, are as follows:

	2007		2006	
(dollars in thousands)	CURRENT	NONCURRENT	CURRENT	NONCURRENT
Other liabilities:				
Compensated absences	$ 47,582	$ 81,861	$ 45,043	$ 83,311
Accrued interest	4,121	-	3,238	-
Other	49,300	-	49,595	44
Total	$ 101,003	$ 81,861	$ 97,876	$ 83,355

Self-Insurance Programs

The University is self-insured for medical malpractice, workers' compensation, employee health care and general liability claims. These risks are subject to various claim and aggregate limits, with excess liability coverage provided by an independent insurer. Liabilities are recorded on a systemwide basis when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Each campus funds the self-insurance liability through predetermined rates applied to payroll and other expenses. These amounts are reflected as operating expenses in UCLA's statement of revenues, expenses and changes in net assets. UCLA's financial statements do not reflect any liability amounts for self-insurance claims as these estimated liabilities are recorded on a systemwide basis.

Other Noncurrent Liabilities

Activity with respect to other noncurrent liabilities for the years ended June 30, 2007 and 2006, is as follows:

(dollars in thousands)	COMPENSATED ABSENCES
Year Ended June 30, 2007	
Liabilities at June 30, 2006	$ 83,311
New obligations	37,550
Reclassification to current	(39,000)
Liabilities at June 30, 2007	$ 81,861
Year Ended June 30, 2006	
Liabilities at June 30, 2005	$ 86,573
New obligations	33,738
Reclassification to current	(37,000)
Liabilities at June 30, 2006	$ 83,311

Payments are generally made from a variety of revenue sources, including state educational appropriations, grants and contracts, auxiliary enterprises and endowment income, or other revenue sources that support the employee's salary.

9. ENDOWMENTS AND FOUNDATION GIFTS

Endowments are administered either by the University or by the campus foundation. The book value and market value for endowments for the years ended June 30, 2007 and 2006, are as follows:

	2007		2006	
(dollars in thousands)	BOOK VALUE	MARKET VALUE	BOOK VALUE	MARKET VALUE
Endowments - regental	$ 532,448	$ 1,342,368	$ 413,086	$ 1,070,395
Endowments - foundation	975,199	923,734	804,749	760,138
Total	$ 1,507,647	$ 2,266,102	$ 1,217,835	$ 1,830,533

The Regents' Endowments

The endowments held by The Regents are administered on a systemwide basis, and related investments are not reflected on UCLA's separate financial statements. The portion of investment returns earned on endowments held by The Regents and distributed each year to support current operations is based on a rate (stated in dollars per share) that is approved by The Regents. The total distribution from endowments held by The Regents to UCLA was $30.7 million and $29.5 million for the years ended June 30, 2007 and 2006, respectively.

Campus Foundation

Under University policies approved by The Regents, each individual campus may establish a separate foundation to provide valuable assistance in fundraising, public outreach and other support for the missions of the campus and the University. Although independent boards govern The UCLA Foundation, its assets are dedicated for the benefit of UCLA. During the years ended June 30, 2007 and 2006, gifts of $105.6 million ($33.3 million from endowment investments and $72.3 million from current funds) and $96.8 million ($31 million from endowment investments and $65.8 from current funds), respectively, were transferred to UCLA from The UCLA Foundation.

The financial activity of the separately incorporated campus foundation is discretely recorded in the University's financial statements under a separate column titled "Foundation."

10. OPERATING EXPENSES BY FUNCTION

Operating expenses, by functional classification, for the years ended June 30, 2007 and 2006, are as follows:

(dollars in thousands)	2007	2006
Instruction	$ 945,603	$ 869,486
Research	586,614	574,872
Public service	73,965	67,482
Academic support	286,661	257,666
Student services	63,425	58,775
Institutional support	124,291	114,488
Operations and maintenance of plant	82,747	74,468
Student financial aid	55,232	58,528
Medical centers	1,014,900	906,671
Auxiliary enterprises	222,747	206,510
Depreciation	168,363	175,956
Other	20,381	21,026
Total operating expenses	$ 3,644,929	$ 3,385,928

11. THE RETIREMENT PLAN

Most University employees participate in the University of California Retirement System (UCRS). The UCRS consists of a single-employer defined benefit plan funded by University and employee contributions, a defined benefit plan for University employees who elected early retirement under the Public Employees Retirement System Voluntary Early Retirement Incentive Program (PERS-VERIP) and two defined contribution plans with several investment portfolios funded by employee non-elective and elective contributions. The Board of Regents is the trustee for all UCRS and PERS-VERIP funds. Accordingly, these funds are separately identified in the systemwide annual financial report.

12. COMMITMENTS AND CONTINGENCIES

Commitments

Amounts committed but unexpended for construction projects totaled $501.4 million and $504.7 million at June 30, 2007 and 2006, respectively.

UCLA leases land, buildings and equipment under agreements recorded as operating leases. Operating lease expenses for the years ended June 30, 2007 and 2006, were $44.6 million and $41.3 million, respectively. The terms of operating leases extend through February 2022.

Future minimum payments on operating leases with initial or remaining noncancelable terms in excess of one year are as follows:

(dollars in thousands) YEAR ENDING JUNE 30	MINIMUM ANNUAL LEASE PAYMENTS
2008	$ 27,387
2009	22,340
2010	17,930
2011	13,579
2012	7,667
2013-2017	7,680
2018-2022	701
2023-2027	-
Total	$ 97,284

Contingencies

Substantial amounts are received and expended by the University, including its medical centers, under federal and state programs and are subject to audit by cognizant governmental agencies. This funding relates to research, student aid, medical center operations and other programs. University management believes that any liabilities arising from such audits will not have a material effect on the University's or UCLA's separate financial positions.

The University is contingently liable in connection with certain other claims and contracts, including those currently in litigation, arising in the normal course of its activities. Although there are inherent uncertainties in any litigation, University management and general counsel are of the opinion that the outcome of such matters will not have a material effect on the University's or UCLA's separate financial positions.

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Additional copies of this report are available from University of California, Los Angeles
Corporate Accounting
10920 Wilshire Boulevard, 5th floor, Los Angeles, CA 90024-6502
Attention: Terri Kirkman e-mail: TKirkman@finance.ucla.edu

www.accounting.ucla.edu

UCLA

UNIVERSITY OF CALIFORNIA, LOS ANGELES